Daily Report

Latin America

FBIS-LAT-95-003
Thursday
5 January 1995

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Central American Officials React to Mexican Plan

PA0401232495 Mexico City NOTIMEX in Spanish 2141 GMT 4 Jan 95

[FBIS Translated Excerpt] San Jose, 4 Jan (NOTIMEX)—Central American government, labor, and business leaders today reacted with optimism and expectation following the economic measures announced yesterday by Mexican President Ernesto Zedillo.

The government and private sectors of Costa Rica—the first Central American country to sign a bilateral free trade agreement with Mexico—said they hope Zedillo's plan will facilitate a prompt recovery of the Mexican economy.

"We hope that, with the support of the international community, the Mexican Government will regain control of the foreign exchange situation and that, via these measures, it will be able to overcome the crisis as soon as possible," Costa Rican Foreign Trade Minister Jose Rossi said. Mexico has faced serious financial crisis since it allowed its currency, the peso, to float two weeks ago.

Zedillo's announcement "gives hope for a prompt reestablishment of the exchange rate of that country," Presidency Minister Elias Soley stated. Both the government and private sectors "are convinced these events are only temporary and that Mexico will overcome the crisis in a short time," Soley added.

Marco Vinicio Ruiz, president of the Costa Rican Union of Private Enterprise Chambers and Associations (UCCAEP), expressed his concern over the possibility that Costa Rican exports will become less competitive in Mexico.

"We hope to see mechanisms that guarantee that our national production will not be unfairly displaced" in the Mexican market, he said.

Raul Odio, vice president of the Costa Rican Chamber of Commerce, said last month's devaluation of the Mexican peso is a warning to the Costa Rican Government to prevent a similar situation from happening in this Central American country.

Regarding the free trade agreement that Costa Rica and Mexico signed last year and which went into effect on 1 January, Rossi denied that either the agreement or its implementation has been harmed by the crisis. According to Rossi, once the Mexican foreign exchange crisis ends, "the competitiveness of each country will be the determining factor in trade relations between both nations."

In Panama, the main trade unions, comprising approximately 70,000 members, praised the measures announced by Zedillo after a national agreement was reached the previous day between the Mexican government, labor, and business sectors to face the crisis.

"This agreement is the best vehicle to resolve the Mexican problem," said Aniano Pinzon, secretary general of the Confederation of Workers of the Republic of Panama (CTRP).

Meanwhile, Abel Santamaria, secretary general of the National Federation of Associations of Public Employees (Fenasep) stressed that the only way to ease the effects of the crisis in Mexico is through concerted efforts.

In Guatemala City, the capital of Guatemala which borders Mexico, labor and business leaders said they are waiting to see how the Mexican economic crisis develops. Economic analysts are warning about the possible adverse effects the crisis could have in the trade balance between the two countries as a result of the price reductions in Mexican products, which in turn will make Guatemalan products less competitive. [passage omitted]

Mercosur Creates Committee To Adapt Automotive Sector

PY0401164895 Sao Paulo GAZETA MERCANTIL in Portuguese 19 Dec 94 p 7

[FBIS Translated Text] The Common Market Council has decided to create an ad hoc committee of the Trade Commission of Mercosur [Common Market of the South] to draft a proposal for a Common Automotive System. Following is the text of the tariff adjustment system:

Automotive Industry Gradual Tariff Adjustment System: Mercosur/CMC/DEC. No. 29/94.

Having to hand:

The Treaty of Asuncion and Decision No. 7/94 of the Common Market Council, and

Considering:

That Article No. 10 of Decision No. 7/94 determines the creation of an ad hoc group that will be charged with studying the Automotive Industry Gradual Tariff Adjustment System within the functioning of the customs union system;

That the ad hoc group thus created undertook duties that permitted the identification of the elements that are involved in the definition of said system and the formulation of preliminary proposals for dealing with it; and

That it is necessary to continue working for the definition of a system that will allow the definite adjustment of the automotive sector of the customs union;

The Common Market Council decides to:

Article 1. Create an Ad Hoc Technical Committee of the Trade Commission of the Mercosur in order to draft a proposal for a Common Automotive System. Said proposal must necessarily contain as elements:

A. The total liberalization of intrazonal trade for the products of the automotive sector;

B. A common external tariff; and

C. The absence of national incentives that would distort competition within the region.

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Article 2. The common system will go into effect on 1 January 2000.

Article 3. Following are the attributions of the Ad Hoc Technical Committee of the Automotive Sector:

A. It will submit by 1 June 1995 for approval by the Trade Commission of Mercosur the details of the basic outlines of the Common Automotive System of Mercosur.

B. It will submit by 31 December 1997 for approval by the Trade Commission of Mercosur the complete text of the common system.

Article 4. The member countries promise to:

A. Submit to the Pro Tempore Presidency of Mercosur by 31 December 1994 information about their respective national systems.

B. Not to unilaterally introduce restrictive modifications to the national systems currently in force within the intrazonal trade as of 1 January 1995 and up to 1 June 1995.

C. As of 1 July 1995, to modify bilateral agreements only in order to increase the flow of intrazonal trade.

Said modifications will be reported to the Mercosur Trade Commission.

Article 5. Until the existing bilateral agreements are modified, the current conditions of access to markets will be maintained.

Article 6. The details of the basic guidelines of the Common Automotive System that will be submitted by 1 June 1995 and which will go into effect on 1 January 2000 will necessarily include the following points:

A. Free intrazonal trade;

B. Common external tariff;

C. The absence of national incentives that would distort competition within the region;

D. A system for the importation of parts and pieces for the terminals and producers of parts;

E. A system for the importation of vehicles;

F. Table of contents of a regional nature;

G. Rules for the protection of the environment and the user of the vehicle;

H. A mechanism for the transition of the national systems to the common system, including the harmonization of the existing promotion mechanisms.

Article 7. The member countries approve the revision, which is contained in the annex, of their bilateral agreements with an eye to improving the conditions of access as of 1 January 1995.

Mercosur Document Standardizes Stock Market Information

PY0401122895 Sao Paulo GAZETA MERCANTIL in Portuguese 19 Dec 94 p 6

["Text" of document standardizing stock market information: Mercosur/CMC/DEC. No. 13/94]

[FBIS Translated Text] Having to hand:

Article No. 1 of the Treaty of Asuncion, and Decisions Nos. 08/93 and 09/93 of the Council of the Common Market [CMC].

Considering:

That the existence of a harmonized stock market will make viable important projects with an eye to obtaining the objectives that guided the creation of the Common Market of the South, Mercosur;

That the process of integration needs harmonized standards for the dissemination of information by the brokers, whether they be enterprises or investment funds;

And the contents of the document that complements the "Proposal for a Minimum Regulation of the Stock Market";

The Council of the Common Market has decided:

To approve the document that complements the "Proposal for a Minimum Regulation of the Stock Market" that is annexed to this decision.

Document of Sub Work Group IV—Stock Market

A complementary document to the proposal for a minimum regulation of the stock market that is contained in Decision No. 8/93 of the CMC.

1. Presentation of Accountancy Documentation
1.1. Accountancy principles

The presentation of documentation pertaining to the accounts must be made in accordance with the principles that have been adopted by the country that is the seat of the enterprise, and in such a way that it can be compared with the documentation of the previous year's documentation.

1.2. Minimum information regarding accounts that must be submitted

- 1.2.1. Information that must be submitted on a yearly basis:
- the written report of the administrators;
- the enterprise's balance sheet;
- the profit and losses sheet of the year;
- the pertinent explanatory footnotes;
- the pertinent description of any modification to liquid assets;
- the pertinent description of the origin and application of resources;
- the report of the syndicate or fiscal council, if one exists;
- the consolidated balance sheet, if applicable;

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- the annual balance sheet and the consolidated balance sheet must be submitted together with the report of the external auditors.

- 1.2.2. Information that must be submitted quarterly:
- the balance sheet;
- the profits and losses sheet;
- the pertinent explanatory footnotes;
- the quarterly data must be submitted together with the report of the external auditor or with the Limited Revision Report;
- regarding the Argentine Republic, the description of the origin and application of resources and the description of any modification to the liquid assets sheet must also be submitted in addition to the above mentioned information.

1.2.3. The material effects of the variables of accounting

The material effects that are caused by the variables of accounting will be explained and quantified in explanatory footnotes with regard to their effect or impact on the results and liquid assets.

1.3. Data pertaining to the closing of yearly accounts

Data pertaining to the closing of yearly accounts will respect the rules and regulations of the country where the enterprise is located.

2. Investment Funds

The agreement that is contained in Clause 2 of the Protocol of Colonia referring to the regulation of the stock market is hereby ratified, with the following addition:

Relevant Data

The relevant data that could significantly influence the price and/or placing of the shares or the decision of the investors to acquire or negotiate said shares must be divulged immediately by the brokerage firms in those member countries in which said shares are being negotiated and placed.

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Cuba

Official Denies Emigration Payment Accord Reached With U.S.

PA0501014795 Havana PRENSA LATINA in Spanish 2346 GMT 4 Jan 95

[By Ulises Canales]

[FBIS Translated Text] Havana, 4 Jan (PL)—Cubans interested in emigrating to other countries must pay in pesos (national currency) for processing work, in keeping with the country's current law, a source from the Cuban Foreign Relations Ministry told PRENSA LATINA today.

Carlos Fernandez de Cossio, head of the Foreign Relations Ministry's North America Department, denied reports that the Cuban and U.S. Governments have agreed to make the dollar the official currency to finance migratory operations between the two countries.

When consulted by this press agency, Fernandez de Cossio pointed out that U.S. authorities conveyed to Cuba through official channels their interest in establishing such a measure (paying for processing in dollars), but they received a negative reply from Havana because this measure would violate established laws.

Fernandez de Cossio, who was also a member of his country's delegation to the migratory talks with the United States that ended with an agreement signed in September in New York, explained that, according to Decree Law 84 of 1984, the peso is the island's legal tender, and therefore, any transaction within Cuban territory must be made in that currency.

The sole exceptions, he added, are those operations receiving advance approval [operaciones advertidas con anticipacion] from the National Bank of Cuba.

Miami-based media have reported an alleged agreement between the two governments under which Cuban authorities reportedly agreed that nationals of the island could pay in dollars for permits to leave the country and medical examinations given to those who wish to permanently reside abroad.

The same sources said the U.S. Interests Section in Havana would reportedly charge fees in U.S. dollars for consultations required by those who want to emigrate.

Alarcon Returns From Brazil, Comments on Visit

PA0401183395 Havana PRENSA LATINA in Spanish 2036 GMT 3 Jan 95

[Report by Maria Grant]

[FBIS Translated Text] Havana, 3 Jan (PL)—Ricardo Alarcon, president of the National Assembly of the People's Government (parliament), today expressed his conviction that the new Brazilian Government will give continuity to the policy of friendship and cooperation toward Cuba.

Alarcon returned from Brazil this morning at the head of the delegation that attended the inauguration of new Brazilian President Henrique Cardoso.

In an exclusive statement to PRENSA LATINA, Alarcon said that in his contacts and talks with the recently installed Brazilian authorities—both state and federal—he affirmed the desire to continue the friendly policy toward Cuba.

He recalled that outgoing Minister Celso Amorin said during his speech to transfer the Foreign Ministry that friendship toward Havana and respect for Cuba's independence and national sovereignty are permanent policies.

"I believe it is clear that the next government will give continuity to that policy and will maintain efforts to expand cooperation and bilateral relations," Alarcon added.

He added that Brazil is very interested in many aspects of the Cuban experience, particularly public health, education, sports, and culture.

Alarcon said this was reaffirmed not only in contacts with federal authorities but also during talks with several governors who recently assumed office and in telephone conversations with people outside Brasilia.

Commenting on Cuba's presence at the inauguration of the new Brazilian president, Alarcon said it was normal and customary at all such ceremonies on the continent and rejected allegations of Cuba's international isolation.

Alarcon stressed the particularly warm reception given to the Cuban representation he headed, particularly by President Cardoso, when both delegations exchanged greetings, which in our case (the greetings) were beyond protocol.

Envoy to Brazil, Official Discuss Brazilian Ties

FL0401193695 Havana Radio Rebelde Network in Spanish 1255 GMT 4 Jan 95

[Telephone interview with Ambassador to Brazil Ramon Sanchez-Parodi and Vice Foreign Minister Jorge Bolanos by Rebelde Anchorman Jose Garrido—recorded; from the "Doing Radio" program]

[FBIS Translated Text] [Garrido] We are going to listen to a rebroadcast of the conversation that I held previously with Cuban Ambassador to Brazil Ramon Sanchez-Parodi and Vice Foreign Minister Jorge Bolanos Suarez. By the way, this recording was on the occasion of the visit by Ricardo Alarcon, president of the National Assembly of the People's Government [ANPP],

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to Brazil. Alarcon headed Cuba's official delegation to the change of command in Brazil.

[Begin recording] [Garrido] Good morning, Parodi.

[Parodi] Good morning, Garrido. Happy new year.

[Garrido] Thanks. Same to you.

[Parodi] Thank you.

[Garrido] I should say that I also have Vice Foreign Minister Jorge Bolanos Suarez on line, who was ambassador to Brazil for many years. I just want to verify that he can hear me. Good morning, Bolanos.

[Bolanos] Good morning, Garrido. How are you?

[Garrido] Fine, and you?

[Bolanos] I am doing great.

[Garrido] Happy new year to you and your family since I have not spoken to you since last year.

[Bolanos] Thanks. Same to you.

[Garrido] As you already heard, I have Sanchez-Parodi on line from Brazil and the objective of this conversation is to talk about the impact of the Cuban delegation's visit and ANPP President Ricardo Alarcon's conversations with authorities of that country including Brazilian President Fernando Henrique Cardoso.

Parodi, what is your opinion on the talks and the prospects of this new Brazilian Government's relations with Cuba?

[Parodi] We have been able to see that there is great interest. From conversations, such as those held by Alarcon with the governors of the states, we have seen there is great interest in the development of relations with Cuba. This has also been confirmed in contacts established with representatives of the federal government.

I would say that health care is one of the areas with the greatest potential as far as relations between the two countries. But the areas of education, culture, and sports also have great potential.

The press has obtained statements by Pele, the new secretary of sports—extraordinary minister of sports of the federal government—a former soccer player. He has expressed interest in learning more about Cuba's experience and the possibility of applying aspects of that experience here in Brazil. In other words, in diverse areas at the federal and state level—some of these are Pernambuco, Espirito Santo, Minas Gerais, Sao Paulo—a large number of states, or the governors of those states, are interested in the development of relations with Cuba. We hope that in the near future, from this moment on,—because, as I explained, there is a process of organization at the state and federal level—we can see the materialization of this intention or wish.

[Garrido] I also have Vice Foreign Minister Bolanos on the line and he too was Cuban ambassador to Brazil for many years. Bolanos, we wanted to know what connotation do you give to this incipient moment of renewed relations between Cuba and Brazil?

[Bolanos] I have noticed— Alarcon pointed this out—that together with President Fernando Henrique Cardoso, there is a group of ministers who, as the ambassador has already pointed out, has expressed their intention of cooperation. At least four or five of them.

Furthermore, I could say that of the 26 governors, approximately 20 of them have some type of relations with Cuba. Now, there is the possibility, from the point of view that they are governors of those states, of developing relations in the areas that Parodi mentioned.

Therefore, I would say that the visit was important and the occasion was important [words indistinct] renews the adherence that we found in Brasilia.

[Garrido] Bolanos, on more than one occasion it has been said that greatest challenge for Henrique Cardoso is poverty and the people's demand for social justice. I imagine the Cuban experience and the presence of the president of our parliament was an occasion to talk about these issues.

[Bolanos] Evidently, we felt the interest in President Cardoso's speech. He confesses that the greatest challenge and the highest priority will be to solve social problems, which as you know, in Brazil they are serious problems. It is an immense country with great potential, but Brazil is weighed by serious social problems which should worry a president with a background in sociology.

I believe that Cardoso comes in with excellent subjective and objective conditions to be able to concentrate on this problem which will not be easy. In other words, Brazil has problems with unemployment, extreme poverty, and illiteracy. These are serious problems which are not easily solved in the short run.

[Garrido] Well, thank you Bolanos for this conversation. Just hours after the return of the Cuban delegation which attended the inauguration of Brazilian President Fernando Henrique Cardoso. As many of you already know this delegation was headed by Ricardo Alarcon.

We also want to thank Cuban Ambassador to Brazil Ramon Sanchez-Parodi for this conversation. We will try to communicate with Alarcon so we can learn more about his contacts with several governors and with the presidents of Colombia and Bolivia, Samper and Gonzalo Sanchez de Lozada, respectively.

Thank you, gentlemen.

Castro Meets With Honduran Parliamentarian

FL0401161895 Havana Radio Rebelde Network in Spanish 1000 GMT 4 Jan 95

[From the "Doing Radio" program]

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[FBIS Translated Text] Jorge Arturo Reina, vice president of the National Congress of Honduras, met with Cuban President Fidel Castro and expressed his opposition to the U.S. economic embargo. Jorge Arturo Reina's private visit also allowed for a meeting with Cuban Foreign Minister Roberto Robaina and a stay in Varadero.

Upon his arrival in Havana, toward the end of December, Reina stated that relations between Tegucigalpa and Havana are good.

Kazakhstan Foreign Minister Continues Visit

Meets With Alarcon, Cabrisas

FL0501001695 Havana Radio Rebelde Network in Spanish 1800 GMT 4 Jan 95

[From the "National Radio News"]

[FBIS Translated Text] Today, Kazakhstan Foreign Minister Kasymzhomart Tokayev met with Ricardo Alarcon, president of the National Assembly of the People's Government, and with Foreign Trade Minister Ricardo Cabrisas. During the two meetings, Kasymzhomart Tokayev stated that his visit, which will conclude today, was very productive. At the end of his meeting with Ricardo Alarcon, Kasymzhomart Tokayev stated:

[Begin Kasymzhomart Tokayev recording in Russian with passage by passage translation into Spanish] I am profoundly impressed after my meeting with your president [Alarcon]. I think our opinions coincide with regard to strengthening the traditional relations and cooperation between Cuba and Kazakhstan. We analyzed many issues related to the exchange of experiences in the sphere of state construction [construccion estatal]. This meeting has been very useful. I think that this meeting should be followed up by contacts between our respective institutions. [end recording]

After his meeting with Comrade Ricardo Alarcon, Kasymzhomart Tokayev met with Foreign Trade Minister Ricardo Cabrisas. Cabrisas stated that this visit was important because it facilitates concrete expression of the will to strengthen relations between Cuba and Kazakhstan.

Culture, Science Accords With Robaina

FL0401222595 Havana Radio Reloj Network in Spanish 2032 GMT 4 Jan 95

[FBIS Translated Text] Two cooperation accords, in culture and science, were signed at the Ministry of Foreign Relations in Havana by Kazakhstan Foreign Minister Kasymzhomart Tokayev and Cuban Foreign Minister Roberto Robaina, who stated that the signing of the two accords, written in Spanish, Kazakh, and Russian, reflect an opening to greater cooperation, not only political, but also economic and commercial. He added the accords give continuity to the historic relations between the two peoples.

Tokayev expressed thanks for the hospitality extended to him since his arrival and added that the basic policy of his country is to maintain relations with any country willing to do so, regardless of political doctrines. He referred to the positive meetings with Ricardo Alarcon de Quesada, president of the National Assembly of the People's Government, and other officials from various sectors.

Envoy to Ukraine Views Ways of Building Socialism

AU0401130495 Kiev HOLOS UKRAYINY in Ukrainian 30 Dec 94 p 8

[Interview with Sergio Lopez Briel, ambassador extraordinary and plenipotentiary to Ukraine, by Valentyna Pysanska: "We Are Building Cuban Socialism"]

[FBIS Translated Text] **There were two reasons for my meeting with Sergio Lopez Briel, Cuba's ambassador extraordinary and plenipotentiary to Ukraine: Recently, he submitted credentials to the Ukrainian president and besides, on 1 January, the people of the faraway island will mark the 36th anniversary of the revolution.**

Today, Cuban Ambassador Sergio Lopez Briel is a guest of HOLOS UKRAYINY.

[Pysanska] Mr. Ambassador, what does work in Ukraine mean to you?

[Briel] It is an opportunity to be of a lot of use to both countries. All the more so since relations between them have never been interrupted. Moreover, Cuba was among the first to recognize Ukraine's independence. My attitude toward your country is special: I love it, especially its children.

[Pysanska] For us, too, Cuba is not just an island in the ocean. No matter what politicians might be after, friendly relations between people are stronger than any theories. On Sunday, Cuba will mark an anniversary of the revolution—in difficult conditions and, possibly, without understanding on the part of the rest if the world. How is this anniversary being marked now?

[Briel] Yes, we are marking the 36th anniversary of the revolution, despite the fact that every two or three months, our demise is predicted.

In Europe, socialism has collapsed, and we have had to pay dearly for the consequences, because ties with countries of the socialist camp and former Union republics have been severed.

Let me explain what I mean. Our country used to export to the USSR 300,000 metric tons of citrus fruits, which suddenly were no longer wanted. We built plants for processing nickel ore, which we exported, and used to

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supply 4 million tons of sugar, which our friends have also rejected. We do not have any natural resources. Under such conditions, it is difficult to survive, irrespective of the regime, however, Cuba has already changed its strategic economic pattern and this, undoubtedly, has had an effect on policy. We already have changes for the better, even though they are not very conspicuous. We continue looking for our own way, one that would enable us to reform our economy and maintain the achievements of socialism.

[Pysanska] It seems that this is precisely what you are criticized for....

[Briel] We are building Cuban socialism. Proceeding from new realities. If pluralism exists in the world, why can't we at least count on the world's tolerant attitude?

Nobody denies that, with the victory of the revolution, Cuba managed to resolve quite a number of social problems and achieved an extremely high level in education, medicine, culture, and guarantees for the old and disabled.

That is why, using elements of capitalist economic management methods, we are building socialism on the basis of state ownership of the country's wealth. Incidentally, in Cuba, private ownership of land has always existed alongside state ownership.

[Pysanska] Does cooperation between Cuba and Ukraine exist?

[Briel] Yes, it does, although not as we would like it to. There are reasons for that. Ukraine is also experiencing difficult times and we sympathize with it, because we know very well how difficult it is to achieve independence and keep it. We will never forget Ukraine's help when Cuba was going through difficult times.

[Pysanska] Cuba has proved this: Your assistance in the treatment and rehabilitation of sick children who were affected by Chernobyl is invaluable.

[Briel] This is precisely what we regard as cooperation and not assistance. It is a drama for all of mankind, and all countries must do everything possible to minimize it.

[Pysanska] No matter what it is called, the participation of your country costs it a lot of money....

[Briel] Can anyone set a price for a child's life? Cuba is ready to continue work in this direction. I saw the faded eyes of a doomed 15-year-old girl who was completely hairless. After six months of treatment in Cuba, she got back her life and even regained her self-confidence. Is it not worth living for that?

You know, I would not like my children to be any richer or have an extra loaf of bread only because a Ukrainian child was denied help.... This is not only the opinion of the Cuban Ambassador. This is what every Cuban family thinks.

On the eve of the New Year, I wish the Ukrainian people happiness and health.

[The following material appears on the same pages in a box: "Sergio Lopez Briel, Cuba's Ambassador Extraordinary and Plenipotentiary to Ukraine, is 46 years old. He has juridical and military education, the latter acquired in the former USSR.

["He served in the army and conducted diplomatic and political work. In 1989-90, he was consul general of the Cuban Republic in Ukraine.

["Sergio Lopez Briel is married and has five children. The youngest three are in Kiev with their parents, two of them study at a Ukrainian school, and the daughter goes to a kindergarten."]

Commentary Discusses New U.S. Congress

FL0401170495 Havana Radio Rebelde Network in Spanish 1255 GMT 4 Jan 95

["Our Opinion" commentary by Eduardo Dimas; from the "Doing Radio" program]

[FBIS Translated Text] If I remember correctly it was well known U.S. political expert Arthur M. Schlesinger who created the theory on political cycles in the United States, specifically, the succession of Republicans and Democrats in office. He referred to them as conservatives and liberals. Schlesinger stated that the conservative cycles had been more prolonged than the liberal cycles and he was right. From the 50's to date, counting the last two years of President Harry Truman's administration —who was a Democrat, but conservative— following through to Eisenhower, there are 10 years of conservatism.

After the three liberal years of the John F. Kennedy administration, came the five conservative years of the Lyndon B. Johnson administration and another eight with the Nixon and Gerald Ford administrations. After the four liberal years of Jimmy Carter's administration came the 12 conservative years of the Reagan and Bush administrations, giving way to the present William Clinton's moderate administration, which sways more to the right than to the center.

When speaking about conservatives and liberals in the United States we can not refer to Republicans and Democrats, we must refer to governments, however, there are more liberal tendencies within the Democratic Party than within the Republican Party. We must remember that both parties defend the same economic and political interest and except for certain nuances they are like two heads on the same body—the empire.

What is evident is that since the 40's to date, the conservative movement has gained strength in U.S. society, especially in the middle class sector where the majority of the voters lie. In the lower income sector of

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U.S. society, there is a rejection of politics and politicians; this is something that is reflected in the elections. In the 1992 elections, barely 50 percent of the voters participated. In the elections which took place in November of 1994, a little over 37 percent of the voters participated, therefore, the majority of the population is not even interested in exercising their right to choose. They simply do not believe in the political system any longer—a system which the propaganda sells to the world as a solution to all problems.

I mention all this because today, 4 January, the new Congress takes office in the United States. This Congress is dominated by a Republican majority which is eminently conservative and reactionary. One thing that stands out is that the leaders of both houses behave as if President Clinton is now only a secondary figure without any power at all. Newt Gingrich in the House of Representatives and Robert Dole in the Senate are the outstanding figures. Dole, who has presidential aspirations for 1996, is a conservative politician, and he has been very involved with the sectors of economic power for many years. Gingrich is an ultra-conservative from the 80's who is determined to promote his vision of a repressive society, but with individual liberty represented by personal property. Along with these men is Jesse Helms—a politician in his 70's—who is Chairmen of the Senate's Foreign Relations Committee. This man is sadly known as a defender of the worst causes, a pure reactionary. It is said that Helms will promote strengthening the blockade against Cuba. I think it's possible.

The Republican majority has several bills ready, among them is the reduction of social expenditures and measures which will directly affect legal and illegal immigrants and ethnic minorities. Let's wait and see what happens in the next few months and if President Clinton will bow to the Republicans' pressure. If you want an opinion, I think that the President already lacks sufficient power and support to be able to withstand. If this is so, the most probable thing is that the White House will have another Republican tenant in 1996. Let's not forget that the United States plays the role of gendarme—the most powerful country—in the world. Can this conservative movement take U.S. society to fascist positions? Who knows? Perhaps the conservative cycle may become permanent.

New Sugarcane Combine Halves Harvest Time

FL0501031195 Havana Cuba Vision Network in Spanish 0100 GMT 5 Jan 95

[From the "NTV" newscast]

[FBIS Translated Text] The future of the sugarcane harvest mechanization depends in great measure on improvements to the equipment. The modified KTP-2M combine is being tested at Holquin's Antonio Maceo Agroindustrial Complex. Twenty of these combines are carrying out the entire harvesting at this complex which, before, required twice as many combines. The KTP-2M, built at the 60 Aniversario de la Revolucion de Octubre Enterprise, can cut between 20,000 and 30,000 arrobas per day.

[Begin unidentified speaker recording] If we truly attain the goals we have set for this machine, instead of 4,100 [words indistinct] we will be able to have a harvest of 7 million tonnes, or 8 million tonnes, with 2,800 combines. This represents a savings in terms of equipment, personnel, resources, expenses, and all those things that cost hard currency and a truly high level of sugar production. We therefore have to [words indistinct] all our will to ensure this effort is successful. [end recording]

There are also new prospects in the nickel industry. Recently, the Moa-Nickel S.A. enterprise was created in association with the Canadian company Sherrit, Inc. on a 50-50 basis. This new joint enterprise allows Cuba to access advanced technology, financing, and markets. In addition to improving production, it will provide finished products such as metallic nickel and cobalt used worldwide.

[Begin Lage recording] As result of this association, I believe Cuba will be able to get capital for this industry and attain technology by becoming a partner with a company rated among the best in the world, and even somehow participate in the refining of that product, which is something truly new and positive for Cuba. [end recording]

Moa borders the mountainous municipality of Sagua de Tanama, heavily affected by floods in 1994, which damaged over 2,000 homes and totally destroyed 453. Recovery efforts began right away. To date, 300 homes have been built and over 1,200 have been repaired. The last 65 should be completed within the next few days. Never have so many homes been built in this municipality.

Bahamas

Total of 22 Cubans Escape Detention Center

FL0401235595 Bridgetown CANA in English 2130 GMT 4 Jan 95

[FBIS Transcribed Text] Nassau, Bahamas, Jan 4, CANA—A Defence Force officer was injured when he was struck on the back with a concrete block as 22 Cuban refugees broke out of the Detention Centre refugee centre on Carmichael Road Tuesday night.

Dr. Doswell Coakley, director of Immigration, said that the majority of the escapees have been apprehended by the police department and returned to the Detention Centre where security has been stepped up.

Police liaison officer Steve McKinney reported today that six Cubans have been captured, and another 16 are still missing. The break-out follows an escape by as many as five Cubans and one Dominican on December 30, which was not reported by authorities. Both escapes have

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now been confirmed by Dr. Coakley. None of the numbers have been confirmed by the Immigration Department.

"I can confirm that there was an uprising at the Centre last night that was consequented (prompted) by the fact that the law enforcement officers attempted to avert a large-scale outbreak, which was obviously calculated, and we are satisfied that it might have been influenced by external factors to some degree," said Dr. Coakley.

Residents of the Carmichael Road area reported that between 9 and 10 PM last night, many bursts of rapid gunfire, followed by short periods of silence, sent residents into hiding as others fled their homes. At 10 PM, the gunfire subsided and the shots were replaced by sirens, according to a resident.

According to a police officer at the Centre this morning, the Cubans unscrewed the bolts in the northeast corner of the fencing and began to crawl through the narrow gap. Minister of Foreign Affairs Janet Bostwick, who arrived on the scene shortly after the incident, told THE NASSAU TRIBUNE that 14 to 18 Cubans had undone the bolts in the fence and were at large. Officers caught two of the escapees, said Bostwick, one of whom was a woman. They were trying to take her into custody at the police barracks. She resisted and the other residents revolted, said Bostwick. The Cubans began throwing rocks at the police trailer and the lady broke free from the police and attempted to jump through the window. She received numerous cuts and bruises and was taken to the hospital for treatment.

One of the Cuban women claimed that once the escape was discovered, the officers began firing shots within the camp and striking the women and children with batons.

Government Officials Comment

FL0501030295 Nassau Bahamas Radio Network in English 1230 GMT 4 Jan 95

[FBIS Transcribed Text] Several Cubans have reportedly escaped from the detention center on Carmichael Road and there are also reports of an uprising there. When the ZNS news team arrived on the scene at about 2320 GMT last night, the center was calm but packed with a number of police and [word indistinct] force personnel. Assistant Commissioner of Police Mr. Basil Dean said that at about 2030 GMT, several Cuban nationals were assembled at the northeastern section of the compound when police officers noted something strange.

[Begin Dean recording] Somehow or other they were able to disconnect the bolts from the fence and [words indistinct] we believe 14 of them, or 18 have escaped. Now we are able to consider [words indistinct] we think at this point between 14 and 18 are still at large. [end recording]

According to Mr. Dean, some Cubans were captured and taken to the police station, and in a show of apparent sympathy, other Cubans began throwing rocks and bottles at law enforcement officers. Attorney General and Minister of Immigration, the Honorable Janet Bostwick, was also on the scene.

[Begin Bostwick recording] [Words indistinct] the USA. I believe that they must think it is happening. There was an escape earlier this weekend, the past weekend, and we have still not been able to catch those gentlemen—two Cubans and one Dominican Republican. [end recording]

The arresting officer said the situation out at the center is under control and a statement as to what measures might be taken will be issued sometime today.

Cayman Islands

24 New Asylum Seekers Arrive

FL0401231695 Bridgetown CANA in English 1853 GMT 4 Jan 95

[FBIS Transcribed Text] George Town, Grand Cayman, Jan 4, CANA—Twenty-four Cubans seeking a better way of life arrived in the Cayman Islands this past weekend, the Immigration Department reported. The 24 were the first asylum seekers since mid-September, 1994, after Cuban President Fidel Castro announced he was no longer allowing boat people to leave the country.

A group of 17 Cubans, including two women, landed in the Caymans Sunday aboard a 20-foot fishing boat. The next day, seven people, including three women, were towed ashore in a 16-foot wooden boat. Both groups landed on Cayman Brac Island, about 100 miles off the southeastern coast of Cuba. After a medical examination and orientation, the 24 will be taken to government's Tent City refugee camp where they will be kept, pending application for political asylum.

The arrival of the 24 Cubans here brings the number housed at Tent City to 1,104. At one time, Tent City had 1,184 Cuban inmates. Some Cubans have returned to their homeland; others have left in boats for other countries, and 41 have been given political asylum in the Caymans. A further 22 Cubans will voluntarily return to Cuba this week.

The U.S. Government has agreed to take up to 900 Cubans from Grand Cayman to its detention centres at Guantanamo Bay and in Panama. No word, however, has yet been received on when this agreement will be implemented. At last count, an estimated 300 to 400 Cubans at Tent City, particularly those families with small children, have volunteered to go to the U.S.-run camps.

Grenada

Brathwaite To Step Down at End of January

FL0401182295 Bridgetown CANA in English 1403 GMT 4 Jan 95

[FBIS Transcribed Text] St. George's, Grenada, Jan. 4, CANA—Grenada's Prime Minister Nicholas Brathwaite said Wednesday he will be stepping down from the top government post at the end of the month. Brathwaite, who announced his decision in an exclusive CANA interview, is making way for Agriculture Minister George Brizan, the

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new leader of the ruling National Democratic Congress (NDC), to put his stamp on the government in the run-up to general elections expected around mid-year. Brizan was elected party leader late last year after Brathwaite resigned.

Regarding his decision to go at month-end, Brathwaite said: "This is always my personal view and nobody has made any suggestions to me. I think it's the right thing to do, I want to make that clear."

Brathwaite who will remain in parliament until general elections, will [perform] his final act as prime minister when he delivers the 1995 budget in his capacity as minister of finance on January 19. Brathwaite was appointed prime minister in 1990 after general elections. Previously, he had served as head of the non-elected interim government, set up by then Governor-General Sir Paul Scoon in November 1983 to run Grenada for one year after the U.S.-led intervention [words indistinct].

Haiti

PSCH Questions CEP Constitutionality, Seeks Reshuffle

FL0401211595 Port-au-Prince Signal FM Radio in French 1130 GMT 4 Jan 95

[FBIS Translated Excerpt] Gregoire Eugene demands a reshuffle of the Provisional Electoral Council [CEP]. The leader of the Haitian Christian Social Party [PSCH], who says he is ready to participate in the upcoming elections, has reservations about the constitutionality of the CEP. Let us listen to Gregoire Eugene.

[Begin Eugene recording, in Creole] If one looks at the political arena with regard to elections, there is a kind of cat-and-mouse game. Everybody is watching, but no one wants to make a move. I know because I was caught in such traps in the past. This time, I will not be caught. In other words, I will not leave the field empty. I know the council... I gave my position on the council. I will confirm my position on the council. [passage omitted] [end recording]

The speech by the president of the Court of Cassation, a speech of allegiance toward the executive, implies that the basic principle of separation of powers is distorted at the level of the chamber [pauses] of the Court of Cassation. [as heard]

PDCH Backs Consensus in Forming Electoral Councils

FL0401211695 Port-au-Prince Signal FM Radio in French 1130 GMT 4 Jan 95

[FBIS Translated Excerpt] The Haitian Christian Democratic Party [PDCH] has made a suggestion. Since the new electoral council is the result of a consensual pact between the executive and the political parties, not without sacrificing constitutional provisions [as received], PDCH suggests that the same consensual approach be used between the Provisional Electoral Council [CEP] and the concerned political parties for the formation of the Departmental Electoral Offices and Communal Electoral Councils in order to attract the confidence of those parties, an element essential for their participation in their elections. [passage omitted]

Bribery Charged Over Storm Aid to Deputies

FL0401220695 Port-au-Prince Signal FM Radio in French 1130 GMT 4 Jan 95

[FBIS Translated Excerpt] The Tropical Storm Gordon Emergency Commission, presided over by Minister Francois Severin, has decided to grant aid of 25,000 to 50,000 gourdes to each deputy, intended to allow the beneficiaries to resolve the problems caused by Tropical Storm Gordon in their respective districts. Bribe? Corruption? Many hypotheses have been advanced. There are many protests as well. Let us listen to the report by Daly Valet.

[Begin recording, in Creole] [Valet] The Tropical Storm Gordon Emergency Commission set up by the Smarck Michel government has decided to grant to each deputy, without exception, aid in the amount of $5,000 to $10,000. According to Minister Francois Severin, this money will allow the deputies to help the people in their respective districts face the damages caused by Gordon. We will note, however, that these funds have given rise to much indignation from several parliamentarians. Deputies Samuel Madistin, Fritz Robert Saint-Paultre, and Elie Plancher have refused to accept their money because they consider it corruption. These parliamentarians protest that Gordon did not hit their districts and that they consequently do not see why the government is giving them money. It is corruption, according to Deputy Elie Plancher, who adds that this has made him angry. [passage omitted]

The Gordon Commission sent money to 79 deputies. The Jacmel deputies received 40,000 gourdes; the Leogane deputy, 50,000; the Martissant area deputy, 40,000. These areas were the hardest hit by Tropical Storm Gordon. The other deputies received 25,000 gourdes. Except for the three above-mentioned deputies, all the remaining parliamentarians accepted their money without comment. During the coup d'etat, all the deputies were paid and received their bonuses; there is no reason to give them additional money, says Deputy Elie Plancher, who finds this decision dishonest and an incitement to prostitution and an empty seat policy in Parliament. [passage omitted] Plancher denounces this as a form of corruption. He believes Marc Bazin's formula is better. Bazin preferred to finance deputies' development projects rather than giving them money directly. [passage omitted]

Rumors say that the question of damages resulting from Tropical Storm Gordon is a pretext by Minister Severin to bribe the deputies into voting for the government's bills, especially the draft budget for fiscal year 1994-1995, which is being heavily criticized in Parliament. The account used by the government to make these storm payments is Account AC-2330 at the Bank of the Republic of Haiti. [end recording]

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Events, Statements Related to Economic Emergency Reported

Agreement on Economic Emergency

PA0501034195 Mexico City LA JORNADA in Spanish 4 Jan 95 pp 18, 19

["Agreement of Unity To Overcome the Economic Emergency," issued in Mexico City on 3 January; honorary witness was Dr. Ernesto Zedillo Ponce de Leon, constitutional president of the United Mexican States]

[FBIS Translated Text]

1. The federal government has informed the production sectors:

A) On 22 December, after the country's foreign exchange reserves dropped considerably, the Banco de Mexico ended its intervention in the exchange market. The demand for dollars was much greater than the supply and, given that this institution had used international reserves to maintain its exchange policy in 1994, it reached a point where it was imprudent to cover the differences with its own reserves. Supporting the exchange rate then would have led to later losses in international reserves and would have reduced still further the maneuvering margin available to confront the new situation. The excessive demands for foreign exchange resulted in significant and abrupt devaluation of the peso.

B) For several years, our imports have been greater than our exports. The difference between imports and exports of merchandise and services amounted to almost $25 billion in 1992 and $23 billion in 1993; the figure is estimated to be close to $28 billion in 1994. This difference constitutes the deficit in the current account which, in proportion to the GNP, totaled almost 8 percent in 1994.

C) This type of imbalance has been observed at times in countries with successful economies. In those countries, they have not caused disturbances in the markets because capital flow has continued in the form of direct foreign investment or long-term credits. But in Mexico a high proportion of this flow occurred through investment in short-term financial instruments. This situation became dangerous when some investors started to be concerned that the capital flow would eventually be reversed.

D) Interest rates in the United States have increased considerably since the beginning of 1994, prompting considerable financial difficulties, especially for the so-called U.S. investment funds, which were pressured into selling considerable portions of their holdings in developing countries. This situation has made it difficult for developing countries to obtain financing. This is the situation that triggered the fear of many investors that the flow of capital to Mexico would decrease.

E) Furthermore, everyone knows that the political and violent events of 1994 created distrust among participants in the markets. Several of those events caused several periods in which we suffered a considerable loss in reserves. The loss in reserves itself generated more doubts about the possibility that capital flow would continue.

F) In order to face this situation, the government first planned to implement during 1995 a gradual correction of this problem by slowly adjusting the current account deficit and restoring confidence to stabilize the flow of foreign capital. This strategy could not be maintained. Unfortunately, in light of the scope of the accumulated imbalance and the political events that triggered the capital flight, the margin of action for deactivating the problem slowly and progressively was completely narrowed.

G) Under the conditions expected for the future, the current account deficit shall not exceed the financing obtained under the new circumstances. This financing will be smaller than that received in recent years.

H) For that reason, the reduction of the current account deficit is unavoidable. The devaluation will necessarily be accompanied by an inflationary effect. But this can be approached in either an orderly or a disorderly manner. The organized approach, regardless of the major sacrifices involved, would help us promptly restore stability and growth. The disorderly approach would be the most detrimental to the living conditions of the population and would significantly delay the possibilities for improvement.

I) An administrative modernization process within the federal government will also be promoted in an attempt to eliminate unnecessary steps in granting public services and public attention and to promote their effectiveness and efficiency.

J) The federal government will conduct an adjustment of fiscal revenues so that prices and rates of the goods and services offered by the public sector are established with the goal of reducing inflation. Their distortions vis a vis their prices on the international market [referencias internacionales] would also be minimized. Those prices and rates that were until 1994 adjusted monthly in accordance with inflation estimates and that affect the availability of staples will increase to an extent that—in an annual accumulated manner—their increase should not exceed the income available to those workers who earn a minimum salary.

K) To prevent the reexport of products offered by the public sector due to a difference between their prices and their prices on the international market, the prices and rates that were adjusted in accordance with that reference will be adjusted in such a manner that they will be set at a level below 95 percent of their international market price. To prevent subsidies for consumers living

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in the United States, the price of gasoline on the country's northern border will continue being set as it has been at prices equal to those in the southern United States.

L) The federal government recognizes the need to modernize and expand the country's basic infrastructure and services as a necessary condition for propping up economic growth. Thus, it commits itself to promoting private investment and efficiency in areas such as railroads, telecommunications, ports, airports, and financial institutions through the following measures:

—We will propose to the Permanent Constituent Assembly [Constituyente Permanente] the legal reforms leading to private investment and participation in railroads and satellite communications. We will also continue to promote private investment in airport infrastructure.

—To improve the quality and opportunities [oportunidades] in telephone services and to expand their infrastructure, we will promote legal reforms agreed upon with sectors involved to promote and immediately direct competition in the local telephone sector. We will also foster competition in long-distance telephone services at the local as well as international levels, in keeping with the terms of the Concession Title of Telefonos de Mexico.

—Based on progress achieved in the decentralization of the Mexican port system, we will accelerate the process to promote private investment in ports. Within the next 60 days we will invite bids on container terminals in the country's four main ports: Veracruz, Manzanillo, Lazaro Cardenas, and Tampico-Altamira.

—We will promote as soon as possible the necessary legal reforms to ensure that concessions, permits, and authorizations related to public services and general interest activities are granted in keeping with clear-cut, objective, and honest rules and are based on the criteria of efficiency, competition, opportunity, and honesty.

—The privatization of public assets will continue in 1995 in keeping with clear-cut, objective, and honest rules.

M) To strengthen the capitalization and competitiveness among institutions of the Mexican financial system, we will submit to the consideration of the Honorable Congress of the Union reforms to the laws that used to regulate financial activity to selectively ensure greater participation of foreign financial intermediaries in the capital of the country's financial institutions. At any rate, we will ensure that operations of the payments system will be conducted fundamentally by institutions controlled by Mexicans.

N) The federal executive will submit to the consideration of the Honorable Congress of the Union initiatives to reform various laws to increase tax revenues.

2. Assessment of the Situation

A) Having reflected on previous episodes of financial and exchange instability in our country, we must recognize that when there have been devaluations of the national currency followed by an inflationary spiral promoted by compensatory adjustments of prices and salaries, the country has entered prolonged phases of economic recession, high inflation, loss of jobs, and a severe deterioration of revenues and living standards of the population.

B) For that reason, we conclude it is indispensable to adopt a program that, through a common effort, will effectively correspond to the magnitude of the challenges and the severity of the current problem. The situation requires an extraordinary effort on the part of all Mexicans to make an orderly economic adjustment. The adjustment will be intense so as to reduce its duration to the minimum amount of time possible. The crisis must be faced and confronted immediately, accepting the sacrifices the situation makes inevitable. If we do not do this, we will be caught in an inflationary spiral that would raise the costs of the adjustments, mainly for the needier. Only with decisive and joint action will we able to overcome the crisis in the short term and restore the conditions necessary to attain sustained growth with price stability.

C) The sectors have understood the financial authorities' decision to maintain a flexible exchange rate regime. This exchange system will mare this possible, to the extent that the economic program is indeed implemented and the sectors fulfill their respective responsibilities, as established in this Agreement, to recover stability gradually in the financial markets.

D) We are also convinced that if we are capable of promptly overcoming the instability in the exchange rate and moderating the temporary inflationary impact of the devaluation, we will be able to take advantage of the opportunities that the Emergency Economic Program affords us to quickly regain growth with price stability through the expansion of exports and the efficient replacement of imports. This in turn will promote greater investments, greater growth, and more jobs.

E) Mexicans have strengthened the economy's productive capacity through structural reforms that have raised our efficiency and competitiveness. We have an export sector that, even before the devaluation, had been increasing its sales to our chief foreign markets at an average rate that was at least twice the export rate observed in other countries. We have the solid foundations to overcome the present difficulties and move toward growth and sustained welfare based on sound policies.

F) Thanks to the effort of all Mexicans, during these past few years our country has been able to meet its international financial commitments on time. The good credit attained this way has been reinforced by the progress

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made in the structural change in our economy, which despite current financial difficulties still constitutes a solid base for regaining stability and resuming growth. Recognition of this credit has been translated into a good disposition to conclude satisfactorily a negotiation that will enable us to obtain financial resources from abroad. Therefore, a stabilization fund of approximately $18 billion is being created, using to that effect the North America Financial Support Pact that is established with $6 billion and 1 billion Canadian dollars from the Bank of Canada. The United States and Canada will provide an additional $3 billion and $500 million, respectively. The Bank for International Settlements, in turn, with a guarantee from some of the central banks that belong to this institution, will contribute $5 billion; international banks will contribute $3 billion. The National Congress will be asked to grant the corresponding authorization to the necessary adjustment to be able to formalize the financial programs. The aforementioned fund, added to the Bank of Mexico's reserves of $6.148 billion at the close of 1994, yield a total of approximately $24 billion that can be used to support the stabilization of financial markets.

G) It is important to note that the funds mentioned are not the funds that are going to finance the current account deficit. It is expected that the current account financing will come mainly from direct foreign investments and a moderate public and private debt.

H) Mexico will seek the support of multilateral financial organizations, in which our country is a full-fledged member with all rights. With this support and the additional funds that will be obtained, a speedier headway to stabilize financial markets will be made possible.

Having this as a background, the parties adopt the following:

GOALS

1. To apply this Agreement of Unity To Overcome the Economic Emergency with the highest sense of justice and fairness, through a broad concerted agreement, that will allow joint responsibility by the various sectors of the economy and prevent most of the weight of the adjustment from falling on the less-fortunate sectors.

2. To prevent the devaluation from causing spiralling inflation and exchange rate instability. This will ensure rapid and orderly adjustment of the current account, to allow as soon as possible access to the benefits of exchange movements, in terms of improved employment and production, not only in export firms, but also in those firms that compete with imports, and in tourist firms.

3. To restore confidence in order to encourage orderly financial markets, lessen sacrifices that the adjustments call for, and begin vigorous economic growth.

4. To foster the needed structural changes so that the economy can increase its competitiveness with the rest of the world, maintain production and jobs, and speed up the creation of permanent jobs.

AGREEMENTS

I. PRICES AND WAGES

1. As a necessary condition for creating permanent jobs, broaden national productive capacity, and attract new investments:

A) Labor and management sectors will ratify the 20 December agreements of the National Minimum Wage Commission.

B) In addition to the 24 December salary base agreement, labor and management sectors will use productivity bonuses and incentives when making contractual negotiations, in accordance with specific indicators that are freely negotiated and agreed upon by the parties in each industry and work center.

C) Within the framework of the National Agreement To Increase Productivity and Quality, the government of the republic commits itself to supporting and advising productive sectors in measuring productivity and its increase. To that effect, the National Productivity Commission [Comision Nacional de Productividad] will be created.

D) Aware of the need to increase productivity in manpower, the federal government will increase the number of training scholarships.

In 1995, 700,000 scholarships will be granted to workers in the city and countryside who are unemployed or who need more training to carry out their work, instead of the 500,000 originally budgeted for 1995.

E) In light of the inevitable transitory effect that the devaluation will have on the expenses of enterprises, the business sector commits itself to make extraordinary efforts not to increase prices without justification. To that effect, the federal government, together with representatives from industry, commerce, services, and agriculture and livestock, as the case may be, will establish rules and regulations so that any increase in prices will only reflect modifications derived from an increase in the price of imported components. The Federal Prosecutor for Consumer Protection [Procuraduria Federal del Consumidor] will ensure strict compliance with these rules and regulations.

F) The business sector agrees to promote among enterprises and industries, factories and commercial establishments the adoption of strategies for the production and distribution of basic products to cover the needs of the lower income groups.

G) The federal government will strengthen rural and popular supply distribution programs, as well as programs to guide and inform the public about the quality and price of merchandise.

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H) The federal government and productive sectors agree to promote campaigns to create awareness among enterprises and consumers so they will prefer to buy national products and components when they are competitive in quality and price.

I) The social security system will be maintained as a patrimony of Mexican workers. The operations of the Institute of National Fund for Workers Housing (Infonavit) and the National Fund for Development and Guarantee of Workers Consumption (Fonacot) will be strengthened.

J) The federal government will continue supporting peasants in the development of the agriculture and livestock sector. In addition, assistance given through Procampo [Program of Direct Support to the Countryside] will be increased to 400 new pesos per hectare for the fall-winter 1994-95 cycle and to 440 new pesos for the spring-summer 1995 cycle. Efforts will continue to establish Procampo as a permanent institution starting with the fall-winter 1995-96 cycle.

K) The agriculture and livestock sector will promote through its organizations the adoption of production and marketing strategies for its products through concerted agreements and the establishment of a network from production to consumption.

II. STRENGTHENING PUBLIC SAVINGS AND MONETARY POLICY

2. The federal executive, in accordance with Article 23 of the decree approving the federation's expense budget, will adjust its requirements for goods and services in 1995, in order to reduce public spending in an amount equivalent to 1.3 percent of the GDP in relation to the amount originally approved. Public spending will be reduced through measures that will ration current expenses, eliminating those which are unessential and giving priority to investment projects already under way and those that create new jobs. The main objective of public spending will be meeting social expenses and programs to reduce poverty. The federal executive will inform the Chamber of Deputies of the measures adopted.

3. In order to implement overall simplification of the tax system, the federal government will begin as soon as possible the work of the Fiscal Advisory Committee [Comite Asesor Fiscal], with the participation of experts appointed by the Workers Congress, the agriculture and livestock, and the business sectors.

4. In order to contribute to orderly economic adjustment, it will be necessary to reduce credits. A system will be designed, however, to facilitate access to credits for enterprises and producers in the agriculture and livestock sector, micro, small, and medium-sized enterprises, as well as to promote exports.

5. The financial sector will immediately begin studying and proposing alternatives in conjunction with financial authorities and the business sector, that will enable accredited institutions that so request, and which have with justified reasons, to face the problems arising from the crisis and continue operating, taking advantage of the opportunities they may have.

6. In exercising its autonomy, the Bank of Mexico has resolved to carry out its operations in a way that will contribute to achieving the objectives of this Agreement, particularly those measures aimed at preventing an inflationary spiral and reducing, as soon as possible and persistently, the price hike.

III. ECONOMIC EFFICIENCY

7. The Federal Government commits itself to expediting the revision of the regulatory framework in order to support economic activities, eliminating obstacles that will inhibit business activities, increase costs, lower competitiveness, and reduce the chances for creating new jobs. This will be done without affecting the individual and collective rights of all workers.

8. To complement and increase this effort, in January all state governments and the Federal District will be summoned to reach an agreement which will have as one of its fundamental agreements the implementation of a program to boost economic activity by promoting an accelerated deregulation process at a local level without negatively affecting the workers' individual and collective rights.

9. The parties recognize that this agreement is very important to continue furthering the development of our economy's export sectors. Likewise, it is advisable that there be strict adherence to the commercial treaties signed by our country.

10. The federal government promises to strictly apply our internal legislation so that, within the framework of the reciprocity to be obtained on the international market, markets continue to open for our exports, our national production sector is protected, and unfair commercial practices are fought.

11. To impede contraband and other illegal foreign trade practices, the customs operations will continue to be improved and existing cooperation mechanisms between customs authorities and business organizations will be further increased.

12. To promote the modernization and competitiveness of the small and medium-sized firms, mechanisms will be established to allow them to take full advantage of the government's preferential purchases. Such purchases have been negotiated in international commercial treaties signed by Mexico.

13. Measures will also be adopted to strengthen the competitive ability of industries that are labor intensive and that have export potential.

14. With the participation of public sectors and private institutions, the National Council of the Small and

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Medium-Sized Firms [Consejo Nacional de Pequena y Mediana Empresa] will be established. This council will promote mechanisms for such firms to receive comprehensive and specialized training in technology, production processes, product design, financing, sales, and marketing. The council will also link those firms with leading companies through programs that increase efficiency and improve quality so that the small and medium-sized firms can provide raw material to the big firms. The council will coordinate a special program to assist firms in the social and rural sectors.

The parties agree that reliable compliance with the aforementioned agreements will allow the country to successfully overcome the economic emergency, renew confidence, and, in unity, achieve growth with stability.

This agreement is signed at the Los Pinos official residence, today, 3 January 1995, before the C. President of the United Mexican States.

Honorary Witness

Dr. Ernesto Zedillo Ponce de Leon

Constitutional President of the United Mexican States

Finance Secretary on Possible IMF Accord

PA0501051395 Mexico City EL FINANCIERO in Spanish 4 Jan 95 p 4

[Report by Gustavo Lomelin and Marcos Chavez]

[FBIS Translated Text] Finance and Public Credit Secretary Guillermo Ortiz pointed out yesterday that, in principle, the Mexican Government has not considered signing an agreement with the IMF but that "a new agreement with this organization would be signed" if the international community that participates in Mexico's financial recovery requires such a guarantee.

In general, the official asserted that the Agreement of Unity to Overcome the Economic Emergency "will allow us to overcome the crisis soon" and announced that, in coordination with the Mexican Association of Bankers, they will attempt to implement effective programs to help small and medium-sized firms.

In addition, reports from the Finance Secretariat reveal that lines of credit worth $18 billion obtained abroad will allow the Secretariat to cover the Tesobonos [treasury bonds] worth $16 billions when they come due and to strengthen the country's 6.148 billion [no currency specified] in international reserves. A strong capital flow, which amounted to $11.094 billion, in the last two months of 1994 caused those reserves to fall 75 percent under the 1993 accumulated closing level.

Undoubtedly, the fund established with the $18 billion will allow the country to temporarily confront its current exchange crisis, avoid the possible inability to make payments to cover the maturity of short-term government instruments—fundamentally in Tesobonos—and, if necessary, try to negotiate a contingency agreement with the IMF that is more flexible than the traditional adjustment programs.

Despite the international financial community's support, Mexican authorities have still not initiated negotiations for a new agreement with the IMF. However, both IMF authorities and Mexican officials have expressed their willingness to initiate new contacts to guarantee the financial recovery package.

Although the Treasury Department, the IMF, and the World Bank have come out and defended the new adjustment program and President Ernesto Zedillo's speech, the financial markets did not react favorably and even had negative reactions.

However, Mexican authorities are confident that in the next few days, they will be able to overcome the confidence crisis in the markets. But pressure on the markets will continue in the upcoming hours.

The emergency credit lines of $18 billion will comprise funds from the North American Financial Support Agreement: $6 billion from U.S. authorities and 1 billion Canadian dollars from the Bank of Canada. In addition, the United States will contribute $3 billion and Canada will contribute 500 million Canadian dollars.

The International Bank of Payments (BIS), guaranteed by the central banks of some members of the institution, specifically those in Europe and Japan, will contribute $5 billion, and international banks—encouraged by J.P. Morgan and Citibank—will contribute $3 billion.

The government of President Ernesto Zedillo will ask the Congress of the Union to make the necessary adjustments to the corresponding authorizations in order to be able to formalize the financial assistance if necessary.

Nevertheless, the Finance Secretariat explained that those funds will only be used in the event of a greater demand for foreign exchange or to cover short-term payments on treasury bonds totaling almost $16 billion. This situation does not imply additional indebtedness by the public sector, but a "restructuring of the debt, because by paying the $16 billion in treasury bonds the domestic debt is reduced, while the foreign debt is increased."

Although Mexican financial authorities believe that a possible increase in the government's foreign debt "is manageable and does not necessarily imply a new restructuring of those credits," some bank analysts and foreign brokers warned about this risk. They were particularly concerned about the possibility of another significant devaluation of the peso and an increase in international interest rates, particularly in the United States.

Mexican authorities had even originally estimated the financial cost of the budgeted public debt at 30.263.4 billion new pesos (11.9 in domestic debt and 18.3 in

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foreign debt, for services only). These amounts, however, have been easily surpassed as a result of the peso's devaluation and a drastic increase in domestic interest rates.

According to unofficial estimates, the net balance of the total public debt is equivalent to nearly 22 percent of GDP, and, by the end of this year, it could increase to almost 40 percent of GDP.

Based on the information gathered, the economic adjustment program is anchored only in the confidence it can encourage among the various national and foreign economic players, which increases the risks of the strategy adopted. At the moment, however, there is no other solution within the new development model.

New Economic Targets Unveiled

PA0501054295 Mexico City XEW Television Network in Spanish 0430 GMT 5 Jan 95

[From the "24 Hours" newscast]

[FBIS Translated Text] One hour ago, the Secretariat of Finance and Public Credit released a bulletin in which it explains and provides details of the macroeconomic framework for 1995—a framework born out of the Agreement of Unity To Overcome the Economic Emergency. These are the targets projected for the primary variables in the Mexican economic picture:

1. A 1.5 percent growth in GDP. This reduction from the original 4 percent goal results from the devaluation of the peso. Consumption will decline by 4.1 percent in real terms. Investments will drop 0.5 percent.

2. Exports will grow by 16 percent in 1995, and exports will be the fundamental element for the growth expected in 1995.

3. The average inflation rate for 1995 is expected to total 15.9 percent.

4. It is expected that the average yield rate for 28-day CETES [treasury certificates], the leading rate [tasa lider], will be 24 percent.

5. At the close of 1995, the deficit in the current account of Mexico will total an amount close to $14 billion, which is equal to 4.2 percent of the GDP. In order to finance this deficit, there will be $8 billion in direct foreign investments, $5 billion in net public debt, and $1 billion in capital repatriation. It is believed the average exchange rate during the year will be 4.50 pesos to the U.S. dollar, according to the Secretariat of Finance and Public Credit. In fact, the Secretariat adds, the exchange rate may show a pronounced volatility.

Like Finance Secretary Guillermo Ortiz said yesterday on this program, public spending will be adjusted and reduced by 1.3 percent of GDP.

7. [number as heard] The payment of interest on the public debt in 1995 will increase by 0.6 percent of GDP as compared to the original program.

8. In order to contribute to a decrease in overall demand and thereby stabilize the exchange rate at 4.50 pesos to the U.S. dollar, financial intermediation will be reduced to 2.4 percent in 1995. This means that the balance of the credit portfolio granted by development banks at the close of 1994 will not increase in real terms in 1995.

9. In order to strengthen the program, the Mexican Government has decided to request an agreement with the IMF that will allow it to obtain resources from this financial organization.

Central Bank Communique

PA0501060595 Mexico City NOTIMEX in Spanish 0440 GMT 5 Jan 95

[FBIS Translated Text] Mexico City, 4 Jan (NOTIMEX)—The Bank of Mexico [Banxico] today predicted that Mexico's economy will grow 1.5 percent in 1995, inflation will be less than 16 percent, and the exchange rate will average 4.50 pesos to the U.S. dollar.

The national economic accord reached on Tuesday and the support from the international community will allow Banxico to contribute, in a decisive manner, to the peso's stabilization and overcoming the financial difficulties, the bank said in a communique.

"In light of this, and considering the aforementioned commitments, it is believed that the exchange rate will average 4.50 pesos to the U.S. dollar in 1995," according to the bank's communique.

On Tuesday, the government and productive sectors signed an accord to counter the effects of the peso devaluation, which occurred in late December because of a large deficit in the current account.

The Agreement of Unity To Overcome the Economic Emergency reduces the current account deficit to levels that can be financed and controls increases in prices and salaries, as well as the management of the financial assistance totaling $18 billion.

"The $18-billion stabilization fund, which has been placed at the disposal of the country by the international financial community, is a valuable instrument to restore confidence in our currency," the communique added.

Banxico, which last year became autonomous, said that in the light of "the cited commitments and the aforementioned expectations regarding the exchange rate, the 1995 inflation rate must not exceed an average of 16 percent."

The external resources Mexico hopes to have to finance the current account deficit is $14 billion, according to

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the economic program announced by the Finance and Public Credit Secretariat, which is an amount different from the stabilization fund.

The central bank also announced its decision to establish a limit of 12 billion pesos (approximately $2.2 million at the exchange rate of 5.4 pesos to the dollar) on the growth of its gross domestic credit [credito interno bruto] for 1995.

"This limit amounts to 21 percent of the monetary base (of 57.235 billion pesos) at the close of 1994," it explained.

The bank stated that this limit "is related to an expected real growth in GDP of 1.5 percent and the estimated inflation rate for this year."

The statement added, "Banxico will do its best in order that the inflation rate does not exceed the aforementioned annual rates."

Central Bank Reports CETES Rate Hikes

PA0401220995 Mexico City NOTIMEX in Spanish 2117 GMT 4 Jan 95

[FBIS Translated Text] Mexico City, 4 Jan (NOTIMEX)—The Bank of Mexico today reported that interest rates have increased for all types of Treasury Certificates (CETES) in the first weekly auction of 1995.

The central bank stated that the leading rate for the government 28-day certificates rose 2 percent over the previous week's figures, and they now offer a 33 percent yield. The 91-day CETES increased 3 points from the last auction in 1994 and settled at 34.99 percent. The 182-day CETES increased 13.74 percentage points to register a primary yield rate of 29.89 percent.

Financial analysts commented that the 13.74 percent hike for the 182-day certificates was prompted by the fact that the last auction of 1994 did not include 182-day CETES, and, in turn, this increase puts them on par with the other certificates.

The analysts contend that, at least during the first quarter of 1995, interest rates will remain high in order to once again attract foreign investment capital by offering attractive returns.

Finance Secretary To Meet Financiers

PA0401222595 Mexico City NOTIMEX in Spanish 2119 GMT 4 Jan 95

[By correspondent Ricardo Alday]

[FBIS Translated Excerpt] New York, 4 Jan (NOTIMEX)—Mexican Finance Secretary Guillermo Ortiz Martinez will meet with the international financial community here tomorrow to discuss the economic stabilization program being implemented in his country, a banking source disclosed today.

Ortiz Martinez "plans to hold separate meetings" with several international financial institutions, the source said without giving any more details.

The meeting was confirmed by a Mexican Finance Secretariat spokesman, who said the full itinerary for Ortiz Martinez's trip to New York "has yet to be defined."

Mexican President Ernesto Zedillo yesterday announced an adjustment program that will seek to firm up the economy and restore national and foreign investor confidence following the recent devaluation of the peso.

"We hope Ortiz Martinez will give us more specific details on how the objectives will be fulfilled and whether these moves appease the markets," an economist from J.P. Morgan stated.

The sources agreed that Ortiz Martinez will probably hold a joint meeting with representatives of the commercial banks that will grant Mexico a line of credit of approximately $3 billion for the Mexican stabilization plan. [passage omitted]

Conacex, Secofi on Impact of Devaluation

PA0401211295 Mexico City UNOMASUNO in Spanish (ECONOMIA Supplement) 3 Jan 95 p 2

[Report by Lourdes Sierra Arenas]

[FBIS Translated Text] The positive effect of the devaluation of the peso against the dollar will be a 25 to 30 percent increase in exports, totaling $60 billion by the end of this year. This is the opinion of Gilberto Jimenez Garcia de Alba, president of the National Foreign Trade Council, Conacex.

The Commerce and Industrial Development Secretariat (Secofi) anticipates an increase in Mexican exports to Venezuela, Colombia, Bolivia, and Costa Rica. Mexico has free trade agreements with these countries.

Gilberto Jimenez believes the trade balance deficit could shrink about $7 billion to $10 billion during the year, if the U.S. dollar levels off somewhere between 4.5 and five new pesos. This is because exports are expected to increase about 25 to 30 percent this year due to the devaluation of the Mexican peso.

In expanding, he said it is believed that the devaluation will also have a positive impact on imports. It will slow the flow of merchandise into the country and include fewer consumer goods than before.

Secofi said Mexico will continue to apply prearranged preferential conditions granted through partial trade agreements and regional, commercial, and economic accords under the Latin American Integration Association (ALADI), for importing products from member countries and from Central and South American countries with which we have international trade agreements.

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This decision by the Mexican Government is set out in the temporary customs tariff plan for restaurants, hotels, and certain services located along Mexico's northern border, established for the country's commercial transition.

Importers may choose to apply the import duty that was in effect on the date of payment or apply any change or new duty created thereafter. Secofi believes that the three free trade agreements that went into effect on 1 January will increase trade and investment among the signing countries.

The Group of Three free trade agreement implies the creation of a market of more than 150 million potential consumers.

The text of the agreement deals with the treatment of domestic products, market access, automotive industry, agriculture, livestock, sanitary concerns, product origin regulations, duty and customs procedures, and safeguards, among other issues.

Secofi pointed out that the same list of issues is included in the agreements signed with Costa Rica and Bolivia.

REFORMA Reports Pact for Foreign Investors

PA0501051795 Mexico City REFORMA in Spanish 4 Jan 95 p 29a

["Version of Pact Sent to Foreign Investors"—REFORMA headline]

[FBIS Translated Text] United States of Mexico, Finance and Public Credit Secretariat (Los Pinos Presidential Residence)

President Ernesto Zedillo Ponce de Leon today announced the points of the agreement to overcome Mexico's economic emergency, as agreed by the federal government; the Bank of Mexico [Banxico]; and business, labor, and peasant organization representatives.

Objectives of Agreement

Avoid an inflationary spiral caused by the devaluation that will hurt wages.

Restore confidence, a necessary condition to stabilize the financial markets, in order to lessen the sacrifices that the adjustment requires, and to continue with vigorous economic growth.

Encourage structural reform to raise the economy's capacity to grow, compete in the global market, and generate higher paying jobs.

Achieve in 1995 an average inflation rate no higher than 16 percent, a deficit in the current account of $14 billion, and a GDP growth rate between 1.5 and 2 percent. These objectives are consistent with those mentioned before.

Chief Clauses of the Agreement

1. A floating exchange rate.

2. The ratification of the wage agreement reached prior to the Stability, Competitiveness, and Employment Pact [PECE] that will grant a 7 percent minimum wage increase. To help workers earning lower incomes, the federal government will grant an additional negative [negativo] income tax of 3 percent to workers whose income totals two minimum wages.

3. Wage negotiations will also adhere to the terms established in the latest PECE version (4 percent wage increases in addition to bonds, in line with productivity).

4. The government will grant 700,000 scholarships to workers for training programs, a 40 percent increase over the original levels projected for 1995.

5. Companies will make an extraordinary effort to lessen price increases by reducing their profit margins. An orderly and gradual correction of prices along with stable market conditions will contribute to restoring the financial balance of companies and enhancing their viability as permanent sources of employment.

6. The prices of goods and services (electricity, gasoline, petrochemicals, and oil byproducts) that the parastatal enterprises provide will go up in an amount that is below the devaluation of the peso. The limited adjustment of those prices will generate a loss of revenue for the government. To compensate for this, the corporate income tax will be raised from 34 percent to 35 percent and the average tax rate for people with income in the upper brackets will go up. In addition, there will be an increase on the tax on luxury cars. As as result, the government will only experience a net loss of revenues of 0.1 percent of GDP, and these modest tax increases should not have a recessionary impact.

7. The depreciation of the nominal exchange rate and the spending adjustments will cause the economic growth rate to shrink from the expected 4 percent of GDP to 2 percent in 1995.

To ensure that next year's current account deficit reaches a $14 billion level—a level that can be financed through a moderate foreign public debt, direct foreign investment, reinvestments of previous foreign investments in fixed assets, and the repatriation of capital—additional fiscal measures will be adopted. Government spending will shrink by 1.2 percent of GDP. This, reduction, along with the revenue policies described above, should yield a fiscal surplus of 0.53 percent of the GDP, not including additional funds to be obtained from privatizations. In addition, the loans granted by development banks will not go up in real terms.

8. Banxico will implement a monetary policy in keeping with the aforementioned clauses. At the same time the Central Bank will limit growth of its credit to $12 billion new pesos in 1995.

9. Besides the macroeconomic measures that seek to correct the imbalance of the current account, Mexico's program includes ambitious structural reform measures

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and privatization. These reforms will focus on those sectors of the economy that produce nonmarketable intermediate revenues [ingresos intermedios no comerciables]. The privatization measures will open new opportunities for private investors (national as well as foreign) and will increase the general efficiency of the production sector. The main components of the structural change program are:

- We will start legal reforms to privatize the operations of railroads and satellites.
- Financial authorities will allow existing financial intermediaries to make larger foreign capital investments of up to 100 percent of their capital. This measure will help ease concerns about the strength of these intermediaries.
- We will promote greater reforms in telecommunications. This will involve a new regulatory scheme that will immediately promote competition in local telephone services, as planned, and in long- distance services by August 1996. The reforms will allow the auctioning of frequencies and the private ownership of satellites. These reforms should translate into considerable revenues for the government.
- The port privatization process must be accelerated. Within the next 60 days we will publish bid conditions [posturas] as part of the auctioning of all container terminals in the country's four main ports (Veracruz, Manzanillo, Puerto Vallarta, and Tampico).
- The privatization of other companies of the public sector will continue in 1996 and will generate revenues of about $1.6 billion.
- The deregulation process will continue to increase economic efficiency. These reforms clearly let the community of investors know that Mexico is firmly committed to searching for market-based economic policies amid a favorable climate that offers opportunities to investors.

10. The program just described will be complemented by an Exchange Stabilization Fund of about $18 billion, the negotiation of which is about to conclude. Some $9 billion of this fund will come from U.S. monetary authorities, 1.5 billion Canadian dollars from the Bank of Canada, $5 billion from central banks that are members of the Bank for International Settlements, and $3 billion from the international private banking community. This fund, along with the international reserves of Banxico of $6.148 billion as of December 1994, add up to about $24 billion, which, should it be necessary, will be used to stabilize the domestic financial market. It must be noted that these resources will not be used to finance the deficit on the current account.

11. To address the concerns of treasury bond holders, the federal government is working with important investment and legal advisory banks to offer investors, as soon as possible, voluntary mechanisms for the market to exchange treasury bonds for securities payable in U.S. dollars.

Newspaper Versions of Plan Disavowed

PA0501004895 Madrid EFE in Spanish 2253 GMT 4 Jan 95

[FBIS Translated Text] Mexico City, 4 Jan (EFE)—The Mexican government has not authorized for foreign investors the version of the Emergency Economic Program published today by two domestic newspapers.

REFORMA daily and EL ECONOMISTA published the partial or full text originally drafted in English, which contained details not included in the document published in Mexico. The document, "which had no letterhead or signature," is an "unauthorized text that differs from the final version of the Agreement for Unity To Overcome the Economic Emergency," according to a communique issued by the Finance Secretariat.

"Naturally," the communique added, "it differs on several important points from the final version of the agreement."

According to the version published by REFORMA and EL ECONOMISTA, the government has committed itself to maintain inflation below 16 percent and predicted a growth rate in the GDP of between 1.5 and 2.0 percent. The published document also gives details of fiscal measures and provides information on the privatization policy of public enterprises.

Sources in the Finance Secretariat told EFE that they would not confirm whether the inflation and GDP figures contained in the now-refuted document are the ones estimated by the government, adding that this information will be published at a later date.

Banking Leader Assails Emergency Measures

PA0501032295 Madrid EFE in Spanish 2357 GMT 4 Jan 95

[FBIS Translated Text] Mexico City, 4 Jan (EFE)—Mexico's top banking leader Jose Madariaga today said the measures the government has adopted to face the financial crisis should have been applied months ago because now they are "inopportune."

"This decision is inopportune and should have been made earlier to prevent the current strain from resulting," Madariaga said at a news conference. He is the president of the Mexican Banking Association.

Mexico is experiencing a financial crisis because of the new peso's devaluation by about 50 percent, a drastic drop in foreign currency reserves, and a loss of confidence in the Mexican economy among foreign investors.

According to the top banking leader, the 20 December decision to devalue the peso by 15 percent and the later decision to float the new peso should have taken place as early as September, or even April. In September, the government, the unions, and businessmen negotiated salary and inflation limits for 1995 under the Pact for Well-Being, Stability, and Growth.

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The first hints of foreign capital flight and investor interest in other markets were seen in April, coinciding with the days that followed the assassination of presidential candidate Luis Donaldo Colosio.

"It would have been better to have implemented (the measures) in the September agreements, and we would not have allowed the timebomb to continue ticking as it did. Even April would have been far better than now," the banking leader added.

Madariaga preferred not to point any fingers at former Mexican President Carlos Salinas de Gortari for his role in the crisis, but he added that what could have been a "sliding" process in terms of the currency's value turned into a tumble.

The leader of the Mexican Banking Association condemned the current administration led by Ernesto Zedillo for its "unfortunate handling" of the crisis, and he added that the application of measures generated surprise, uncertainty, irritation, and "annoyance with a high degree of mistrust."

During the first moments of the crisis, Jaime Serra Puche who was finance secretary at the time, blamed the Chiapas Zapatist guerrillas for the financial problems and for scaring off investors. But the government made corrections after this, and now it is blaming the crisis on the balance of payments deficit that has accumulated from the beginning of the year.

"We cannot blame current problems on Chiapas or on political assassinations. They served as accelerators, but they are not the root cause. The need for foreign investors to finance the current account was abused," the banking leader said.

Madariaga criticized the government for not having properly "attending to" the money markets and stock exchanges, which are reacting negatively to the measures that the government has announced to face the financial crisis. He added that while the previous administration's economic communiques featured only a smattering of financial-related details, "now they are primarily political."

He added, "A message containing some details is probably what the markets are waiting for," he added.

Nevertheless, he said that the negative reaction in the money market and the Mexican Stock Exchange "should not prevent us from seeing the country's reality," and he added that Mexico has "enormous opportunities."

Government Employees Will Not Be Fired

PA0501031795 Mexico City Radio ACIR Network in Spanish 0000 GMT 5 Jan 95

[Report by Marisela Palacios Garcia; from the "Evening News Panorama" newscast]

[FBIS Translated Text] Carlos Jimenez Macias, a leader of the Trade Unions Federation of Government Workers [FSTSE], has asserted that despite the crisis the number of government employees will be maintained in 1995. He clarified that the measure to reduce public spending by 1.3 percent of the GNP, which is established in the Agreement of Unity To Overcome the Economic Emergency, does not include a reduction in the government payroll. The FSTSE leader said the number of government employees, who now total 1.6 million, will be fully maintained.

[Begin Jimenez recording] We have not approved an adjustment that includes firing employees. [end recording]

Jimenez, who is also a senator, admitted that several production sectors were not satisfied with the sacrifices they will have to make to confront and surmount the economic crisis. He acknowledged, however, that what was important was to support the agreements in the pact because this will allow us to recover the confidence of private investors and the stability of our economy.

PDM Reacts; Canacintra Issues Communique

PA0501061995 Mexico City NOTIMEX in Spanish 0336 GMT 5 Jan 95

[FBIS Translated Text] Mexico City, 4 Jan (NOTIMEX)—Political parties and social and business organizations are taking various stands on President Ernesto Zedillo's call to face the country's adverse economic moment.

The opposition Mexican Democratic Party (PDM) said that in order to overcome the economic crisis, all productive sectors must become involved in making great efforts for the sake of recovering economic stability.

PDM national leader Baltazar Ignacio Valadez Montoya said his party agrees with the call made by President Ernesto Zedillo, provided each sector complies with its commitments in terms of the country's economic recovery.

On Tuesday, the president said, "All political forces should contribute in order that today's adverse economic situation may be turned... into a great qualitative leap toward the whole nation we want for our children." A few hours earlier that same day, the government announced an Emergency Economic Program to offset the effects of an adverse situation that erupted after the government freed exchange controls and the peso experienced a devaluation.

At a news conference, Valadez Montoya indicated that failures in the economic leadership are now striking the weakest sectors of society, adding, "not only are these the people who have had to bear the greatest burdens, but now they have to contribute with new sacrifices."

He considers that the greatest sacrifice should come from within the government sector, with a "drastic" reduction

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of bureaucrats, in addition to eliminating the 2 percent tax on business assets and the VAT on basic goods.

Juan Campos, spokesman for the Popular Socialist Party (PPS), believes "it is not the time to distract public attention looking for false culprits" for the country's current crisis; instead, the course of the current economic policy must change.

On behalf of his party, he proposed to outline areas of action by the private and foreign sectors by pointing out that the basic thrust for economic development is the direct participation of the state in the national economy.

The National Association of Manufacturers (Canacintra) expressed its confidence that the presidential call and the Emergency Economic Program announced on Tuesday "will enable us to recover as soon as possible the course of growth."

In a communique, Canacintra pointed out that the strategy agreed on offers society confidence regarding the measures that will be implemented to face the country's serious problems.

It explained that only a national consensus and shared sacrifice will enable Mexico to face "the difficult situation we have been thrown into by the devaluation and its repercussions. No adjustment or Emergency Economic Program will be free of sacrifices," it pointed out. It stressed that the program is basically an adjustment strategy that involves a sacrifice in terms of workers incomes, business profits, and governmental spending.

It conceded that although the plan does not satisfy everyone completely, "we all accepted sacrifices, limited our legitimate aspirations, and renounced our interests, convinced that the nation demanded an answer of this sort."

Canacintra joined the president's call to national unity, to shared responsibility, and to work hard as the means to promptly overcome the difficult circumstances we face.

The Group of Associate Economists (GEA) described the Emergency Economic Program as a difficult but orthodox stabilization and adjustment plan, which will require enormous sacrifices from the population. These sacrifices will be reflected in the incomes of the families.

Meanwhile, Jonathan Heat, director of the firm Macroeconomic Advisory, said the new Emergency Economic Program is an orthodox plan that seeks to quickly break the inflationary impact of the devaluation with restrictive fiscal and wage policies.

The National Union of Agricultural-Livestock Producers, Merchants, Industrialists, and Suppliers of Services said the Emergency Economic Program shatters all growth possibilities, and, consequently, it announced a national resistance campaign.

Opposition Wants Political Trial of Salinas

PA0501122995 Mexico City NOTIMEX in Spanish 0356 GMT 5 Jan 95

[FBIS Translated Text] Mexico City, 4 Jan (NOTIMEX)—Mexican legislators from three political parties declared today that they consider the request for a political trial of former President Carlos Salinas inappropriate. Center-left deputies had presented the proposal against Salinas because they blame him for the recent financial crisis.

The opposition Party of the Democratic Revolution (PRD) presented a proposal to the Chamber of Deputies to initiate a political trial against the former president, who they believe is "the person primarily responsible for the current economic crisis."

Jesus Ortega, coordinator of the PRD parliamentary group, informed the Congress Permanent Committee that on those grounds his organization would present criminal charges against Salinas at the Prosecutor's Office tomorrow, Thursday.

Deputy Francisco Peniche Bolio of the conservative National Action Party (PAN) considered the PRD's initiative baseless, "although criminal and other types of sanctions could be applied."

Peniche Bolio suggested that "Congress recommend that the federal government withdraw its support for Salinas de Gortari's candidacy to the presidency of the WTO (World Trade Organization).

Angel Guerrero Mier, senator of the ruling Institutional Revolutionary Party (PRI), said the request is inadmissible and that "the Federal Law on Responsibility of Public Officials could only lead to disqualification, because dismissal is inadmissible."

A president can only be subject to this type of trial for treason against the fatherland and other grave crimes, "and the actions of the former Mexican president do not fall within what is considered to be a criminal matter," he added.

PRI Deputy Eduardo Escobedo said the Government and Justice Committees of the lower chamber are tasked with receiving the suit requesting a political trial and to examine the alleged evidence, although he advanced that "the suit is outright inadmissible."

Jose Narro Cespedes, deputy of the Labor Party (PL), said as of yet there is no basis for the proposal "because we first have to investigate to get to the bottom of this, then accuse."

"We require all available information to request a trial with objectives bases to act with juridical certainty and legality," Narro Cespedes added.

In its request, the PRD said the suit also includes former Finance Secretaries Pedro Aspe (1988-1994) and Jaime Serra, who resigned less than a month after having

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assumed his post, and Miguel Mancera Aguayo, governor of the Bank of Mexico (central bank).

Coparmex Backs Economic Program

PA0401141395 Mexico City LA JORNADA in Spanish 2 Jan 95 p 34

[Article by Roberto Gonzalez Amador; all quotation marks as published]

[FBIS Translated Text] On the eve of the government's announcement of a plan to control the economic crisis, the Employers Confederation of the Mexican Republic (Coparmex) yesterday expressed its support for an agreement between the productive sectors which, "based on economic realism," will prevent a fall into a race between devaluation and inflation.

The employers confederation proposed fiscal adjustments such as public expenditure cuts to complement the effect of the devaluation on the balance of payment's current account. Coparmex called for the creation of a fund to provide financial support to companies vulnerable to economic adjustments and a "definitive" end to the practice of rewarding speculative capital with high interest rates.

According to Coparmex, which is headed by Antonio Sanchez Diaz, President Ernesto Zedillo's administration must "take society's opinion into account" and allow the population to participate in drafting a plan to rescue the country from the crisis that led to the devaluation of the peso.

The recent exchange rate measures altered expectations by the population and undermined productive plants, especially those holding foreign currency liabilities, Coparmex added.

The Employers Confederation says that following the eruption of the economic crisis, the Bank of Mexico is expected to apply restrictive policies to prevent greater inflationary pressure during 1995. Coparmex expressed its opposition to all government attempts to implement price controls.

The Confederation indicates that confidence in the country has been lost, which compels authorities to estabish more effective and timely contact with society and to halt all delays in implementing the measures demanded by the economic reality.

Coparmex noted the need to acknowledge the "political aspect of the current crisis" and to embark on a "decisive frontal assault on corruption."

Coparmex, which in July 1994 rejected any prospect of modifying the government's macroeconomic strategy, believes the time is ripe for an economic emergency program and proposed four strategies.

First, the Employers Confederation believes it is necessary to avoid falling into a race between devaluation and inflation. It therefore called on the government to recognize that some companies' "liabilities" are pegged to the U.S. dollar exchange rate. It additionally noted that the inflationary impact on the entire economy due to the higher cost of currency makes "any attempt to establish price controls unrealistic."

It also pointed to the critical need to "expedite" business competitiveness by cutting fiscal, social security, and bureaucratic costs. In this respect, Coparmex elaborates, it is necessary to reschedule all fiscal payments owed by small and intermediate companies, cut social security costs of all corporations, and examine mechanisms that will eliminate unnecessary paperwork.

They also called for support in improving the population's purchasing power, starting by implementing cuts in the VAT [value-added tax] and by reviewing the income tax structure.

The second "strategy" proposed by Coparmex involves much needed fiscal adjustments to complement the effect of devaluation on the current account, as well as to cut public expenditures.

In this respect, Coparmex believes that adjustments should be implemented with respect to the current account, that investments should remain unaltered, and that more resources should be earmarked for national infrastructure projects.

The employers organization demanded from the government a "streamlining and productivity" program for the public sector and a reexamination of the international competitiveness of some goods and services currently being promoted by the federal government.

The third "strategy" entails recommending measures to undertake what they describe as "structural changes." In this case, the employers call for the organization "as soon as possible" of a simple, clear-cut, balanced tax system that will give businesses an opportunity to "relaunch" [previous word published in italics] (sic).

To this end, Coparmex urges the government to eliminate the tax on company earnings and to expedite recommendations regarding the transfer of resources to states and municipalities so regional development can become more effective.

It also proposes the establishment of a single, reduced (2 percent) tax on the income of small companies, that the Federal Labor Code be updated while "respecting the rights of all workers and with an orientation toward productivity," and that the government announce an "efficiency program and/or, the complete or partial privatization of Ferronales [National Railways], IMSS [Mexican Social Security Institute], CFE [Federal Electricity Commission], and ports.

In its fourth "strategy," Coparmex recommends that the government create a financial support fund to establish a program to restructure overdue portfolios and credits in foreign currency.

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According to the proposal, Coparmex seeks with this fund "decisive support" from authorities against unfair trade practices. This will be done through effective and specific management actions regarding dumping [preceding word published in English] and damage to the national industry. It also asked that authorities reinforce tourism promotion programs and definitively end the policy of high internal interest rates to attract speculative capital.

Development Banks Debts Increase

PA0501050695 Mexico City EL FINANCIERO in Spanish 2 Jan 95 p 4

[Report by Gerardo Flores]

[FBIS Translated Text] The development banking sector's level of indebtedness in dollars increased 39.9 percent against total liabilities as a consequence of the government's decision to allow the exchange rate to float.

Thus, according to Banco de Mexico information, the total liabilities, that amounted to 131.785 billion new pesos in September, now amount to a bit more than 183.181 billion new pesos, based on a 3.4040 rate of exchange.

A confidential report has disclosed that development institutions have reported a serious debit level. At the same time, the liabilities of the commercial banking sector increased 5.56 percent, factorage companies 2.56 percent, and financial leasing companies 5.67 percent.

High-level sources at the National Finance Bank, Inc. [Nafinsa] have reported that the development banking sector's credit plans are paralyzed and that resources will not be distributed until the programs are reappraised, perhaps at the end of February.

Mexican businessmen have stated that the development banking sector has reduced its credit programs to zero and is proposing protection targets, not development and economic recovery ones. They have thus urged that a special program for the productive sector be presented in which second-floor banking replaces the commercial banking sector, as this will reduce the cost of money up to 60 percent.

These amounts represent a 7 percent increase of its value in relation to the valid minimum wages. Also, the Congress approved a 3 percent fiscal bonus for workers who earn up to two minimum wages. Ruben Barrios, president of National Association of Business Leaders (ANDE), has asserted that they are living in uncertainty because "macroeconomic indicators have been tampered with so much and the Banco de Mexico's international reserves have been concocted so many times that it is impossible to establish projections."

He said that they still have to be told the mechanisms the government will implement to control the economy and, especially, to study the possible economic recovery program.

Ruben Barrios said that the Salinist strategy, which fought inflation only in its monetary aspects and not in its structural aspects, had propitiated brutal repression of private and labor sectors.

He said that the freeing of the rate of exchange will still trigger unanticipated results and that the increase in interest rates will make companies more unprofitable, the debt will be unpayable, and this will create more pressure on our currency. Barrios emphasized that the development banking sector's credit distribution has never reached the micro, small, and medium-sized businessmen and has thus turned into an "original myth" in the promotion of the productive sector.

However, the business leader said the development banking sector could get the country out of the jam by giving funds to businessmen.

The mechanism would be easy if Nafinsa absorbs the liabilities of the accounts that have not fallen in a moratorium. This action would stop credit investigations, payment records, and with its direct intervention—without the first-floor bank intervention—would reduce interest rates by up to 60 percent.

The businessman clarified that the second-floor bank is only protecting its interests and not the ones of the nation. It insists that prices and wages not be increased but that interest rates in the financial and the profit-making banking sectors be increased.

19 Industries in Danger of Recession

PA0501041595 Mexico City LA JORNADA in Spanish 3 Jan 95 pp 26, 48

[Report by Roberto Gonzalez Amador]

[FBIS Translated Text] Even before the government applied shock economic measures to face the crisis unleashed by the peso devaluation, 19 industries, which produce 44 percent of all manufactured goods, were already in danger of falling into a recession that could virtually destroy them, according to reports issued by the National Association of Manufacturers (Canacintra) and the National Institute of Statistics, Geography, and Information Science (INEGI).

Of those 19 industries, nine have been facing critical situations since experiencing drops in production for three straight years and 10 others reported declines in production in the two of the past three years, Canacintra reported.

A number of factors created a production crisis in recent years: Expensive and scarce financing, stiffer competition from imports linked to the opening of trade, an overvalued peso, and domestic market imbalances beginning in 1993.

Private analyses based on data from the Bank of Mexico, however, indicate that one of the most fragile aspects of

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the manufacturing industry is that it generates less than half of the foreign currency it needs to pay for its imports.

The current state of the manufacturing industry, according to INEGI, is as follows: Of the nine large areas that comprise it—nine areas that are in turn subdivided into 49 branches—three have registered declines in production for 36 consecutive months. They are the texile, clothing, and leather industry; wood and wood byproducts industry; and the paper, paper products, printing, and publishing house industry.

The manufacturing of clothing, textiles, and leather has registered losses for the past three years. Its overall production dropped 3.7 percent in 1992, 7.4 percent in 1993, and 2.7 percent in the first nine months of 1994.

The wood industry has shown a negative trend with annual production drops of 0.5 percent in 1992, 10.1 percent in 1993, and an estimated 9.4 percent in 1994.

Production in the paper industry declined 6.4 percent in 1993 and 1.1 percent as of September 1994.

Canacintra underscored the irregular behavior of the manufacturing sector, which had contributed one-fourth of the GNP until last year. A study conducted by this organization, which represents 64 percent of the country's manufacturing sector, indicated that although macroeconomic indicators seemed to confirm an economic recovery in some sectors and companies, the general trend observed over the past years is being maintained.

As an example of this, Canacintra pointed out that 21 of the 49 branches that make up the manufacturing sector reported lower production in 1992; 29 reported lower production in 1993 and, based on available data, 19 branches will register lower production in 1994.

Even more serious, Canacintra noted, is the fact that nine industrial branches related to the textile, wood, and paper industries have registered lower production in the past three years and 10 others have reported drops in two of the past three years.

According to estimates made by private consulting firms, at the close of the six-year Salinas administration, the manufacturing sector's overall production registered an average annual growth rate of 3.3 percent, compared 0.56 percent for the 1982-1988 period.

The growth rate during the previous six-year period, however, is lower than that registered during the three governments that preceded Miguel de la Madrid. The annual growth rate was 7.3 percent during the Gustavo Diaz Ordaz administration, 5.7 percent during the Luis Echeverria administration, and 5.3 percent during the Jose Lopez Portillo administration.

Although growth of the manufacturing industry during the Salinas administration was satisfactory, one of the negative aspects that the industrial policy of that period promoted was an imbalance in the sector's trade balance and a subsequent foreign currency deficit it required to finance its imports, the reports indicated.

According to figures from the Bank of Mexico and estimates from the Expansion consulting firm, manufacturing imports (excluding assembly plant operations) reportedly required $230.472 billion during the 1989-1994 period. The foreign currency obtained by the sector, however, was only able to cover 46.56 percent of its total imports.

This means, according to that consulting firm, that during the aforementioned period the manufacturing industry registered a trade deficit of $123.165 billion. The firm added that manufacturing imports represent about 90 percent of total purchases abroad. Therefore, surpluses registered by other sectors reportedly financed part of the industry's growing imports.

It pointed out, however, that resources collected by other commercial operations were insufficient to finance the manufacturing deficit. As an example, it noted that, by the close of Salinas' six-year period, crude oil exports produced about $44.382 billion, "a figure that is very far from the huge six-year deficit registered by manufacturers."

Vendors Report 30-40 Percent Price Hikes

PA0401230895 Mexico City REFORMA in Spanish 3 Jan 95 p 26A

[Report by Mayela Delgadillo]

[FBIS Translated Text] As a result of the devaluation of the peso in relation to the dollar, the price of items imported to Tepito and to plazas where relocated street vendors now operate have increased 30-40 percent. The vendors said the possibility of prices going back down hinge on the peso's stabilization.

The vendors said prices were marked up in an indiscriminate manner, because, although there was a general price increase, each vendor arbitrarily decided how much to increase the price of each item.

"Those items whose prices increased the most were electronic devices, such as radios, recorders, stereos, televisions, and VCR's. Toy prices also increased, with toy racetracks going from 60 to 100 new pesos, according Guadalupe Meza, who maintains a stand on Delicias Street in the downtown area.

With little enthusiasm, vendors are preparing to remain open until the wee hours of 5 and 6 January to sell more toys. There are others such as Marino Guerra, who runs a stand in San Angel, and who in past years chose to sell toys instead of clothing, now has decided not to risk his money because of the difficult times ahead.

"I was going to sell toys as well as clothing, but I am not sure I will be able to sell my merchandise and recover my investment; therefore, I have decided not to sell toys, which are not my primary line," the vendor said.

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Teresa Maya, a vendor near the Northern Traffic Circle No. 1, said that they were forced to increase prices by as much as 40 percent. She added that Tepito wholesalers get their merchandise in the United States on credit.

Maya noted: Because we buy from them on credit, this is why the wholesalers' debt, as well as ours, is in dollars. Stores in the United States do not care about the price of the peso. They just want to be paid in dollars or its equivalent.

Low shopper turnout is apparent along Florida Street, Northern Traffic Circle No. 1, Tenochtitlan Street, and in other places. The vendors said sales were good during Christmas but the situation has not been good since 26 December. Nevertheless, they are confident they will at least be able to sell off their merchandise, and they noted that toy vendors will be the main beneficiaries.

Now, kiosks are carrying a very small variety of merchandise or are "out of products," because new merchandise will not arrive from the Tepito warehouses until after 15 January, some vendors said.

Meave Plaza near the Lazaro Cardenas Traffic Circle has been crowded, but people just ask for prices and jot them down. This plaza is among the successes of the Federal District Department's vendor relocation program, as is witnessed by its prices and the wide variety of electronic devices for sale.

"The price of everything has gone up here because of the dollar problem," Juan, a mobile telephone vendor, said. He added: "Prices will not go down until the dollar exchange rate stabilizes, but if you wait until perhaps February, prices might drop, because there is too much dollar speculation right now. Prices are too inflated."

Self-Service Chain Stores To Hike Prices

PA0401234295 Madrid EFE in Spanish 1746 GMT 4 Jan 95

[FBIS Translated Text] Mexico City, 4 Jan (EFE)—The large self-service chain stores in Mexico have agreed to maintain last year's prices on their products and services until 7 January.

Alfredo Ostos, spokesman of the National Association of Self-Service Stores (ANTA), told EFE that, effective Sunday, the Secretariat of Commerce has authorized stores to increase the price of products made from imported materials.

The members of the association agreed to respect the established prices. After 7 January, however, prices will be increased in accordance with regulations issued by the economic authorities, he noted.

"We are asking the Consumer Protection Office to inform us of any unexpected price adjustment and to give us the names of the stores and products experiencing price hikes," Ostos said. He added that so far there is no list of products whose prices will be increased or in what percentage, because prices will be set according to the dollar exchange rate.

A total of 112 chains of self-service stores in Mexico are affiliated with ANTA. These chains represent 40 percent of all retail establishments in the country.

Initially, when the currency devaluation was announced on 20 December, authorities assured there would be no increase in prices for the following 60 days. That, however, was not possible because of the peso's rapid devaluation.

According to the Mexican Association of Studies for Consumer Protection [Asociacion Mexicana de Estudios para la Defensa del Consumidor], over the past 20 days retail prices in small and medium-sized stores have increased as much as 15 percent.

1995 Vehicle Prices To Increase

PA0501033595 Mexico City Radio ACIR Network in Spanish 0000 GMT 5 Jan 95

[From the "Evening News Panorama" newscast]

[FBIS Translated Text] We have just received some unconfirmed information from the National Car Distribution Association. Our sources there report that the prices of 1995 vehicles are increasing 23 percent as of today. We received this information from sources at the National Car Distribution Association, but, again, it is still unofficial that prices on 1995 vehicles will increase 23 percent.

Higher Tariffs Set for Agricultural Items

PA0401141095 Mexico City LA JORNADA in Spanish 2 Jan 95 p 35

[FBIS Translated Text] The Commerce and Industrial Development Secretariat (Secofi) has reported that the protection system for the importation of 62 agricultural products was updated yesterday. The measure is intended to lend greater "administrative transparency" to the trade of said articles.

The measure includes products such as turkeys, roosters, chickens, ducks, cheese, milk, eggs, beans, coffee, and sugarcane as part of the agreements of the Uruguay Round of GATT. The measure will be implemented by GATT member countries to give greater transparency to the mechanisms of world trade protection of agricultural products.

According to a Secofi bulletin, in order to avoid altering the level of existing protection for the aforesaid products, this simplification of the trade system will include two parallel measures.

First, the requirement for advance permits for the importation of the aforesaid products will be eliminated, as set forth in the agreements of the Uruguay Round of

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GATT. In addition, higher tariffs will be set for the importation of the 62 items specified in this provision.

Trade Preferences Kept With ALADI Countries

PA0401171295 Mexico City NOTIMEX in Spanish 0129 GMT 3 Jan 95

[FBIS Translated Text] Mexico City, 2 Jan (NOTIMEX)—Mexico will maintain the preferences negotiated within the framework of the Latin American Integration Association (ALADI) based on the partial commercial and regional economic complementary agreements, the Commerce and Industrial Development Secretariat announced today in a communique. The secretariat noted that this provision will apply to merchandise coming from and going to Central and South American countries with which international trade agreements exist.

This provision, which will be effective on Tuesday, also establishes a transitional tariff list for the country's general commercial system that will apply to stores, restaurants, hotels, and some services in northern Mexico.

"The corresponding agreement ... contains the equivalencies between the tariff fractions [fracciones arancelarias] that were abolished or added to the Tariff for the General Import Law and the current tariff rates," the communique added.

The secretariat explained that Mexico and the nations of Latin America will be able to exchange goods and services thanks to the 2,014 tariff fractions contained in the agreements.

The general tax law will also allow importers to opt for the implementation of tariffs on merchandise that was imported since the date on which the text of the corresponding tariff fraction expires or is created or modified.

The antecedents of the agreement are contained in presidential decrees published on 3 and 23 August, 29 November, and 24 December 1994, when the different reforms to the tariff of the General Import Tax Law were introduced.

Price Hikes in Gasoline, Cooking Gas

PA0401180295 Mexico City Canal 13 Television Azteca Network in Spanish 1300 GMT 4 Jan 95

[From the "Early Morning" newscast]

[FBIS Translated Text] Mexican Petroleum, Pemex, last night reported that as a result of the signing of the Agreement on Unity to Overcome the Economic Emergency, the prices of automobile fuel and liquefied petroleum gas will have an annual increase of no more than 10 and 16 percent respectively.

According to the announcement made by Pemex, the prices of automobile fuel at the northern border areas will be the same as those prevailing in U.S. cities along the border. Throughout the rest of the country and as of today, prices will increase one centavo per liter in such a manner that by December 1995, the accumulated increase will not be more than 10 percent compared to the price of fuel last month, or rather, yesterday.

In addition to the above, fuel prices in the Valley of Mexico, will have an increment of one centavo per liter to improve the systems to protect the environment. In the case of liquefied gas for home use, the increment will take into consideration 85 percent of the current rate of exchange without this increase being more than 16 percent annually.

Zedillo Cancels New Year's Ceremony

PA0401212295 Mexico City Radio ACIR Network in Spanish 1800 GMT 4 Jan 95

[Report by Rosy Ahuatzin at Los Pinos; from the "Noon Panorama Newscast"]

[FBIS Translated Text] Mexican President Ernesto Zedillo today decided to cancel the new year's greeting ceremony, a long-standing tradition. The president said the cancellation was so that government officials and representatives of the country's social sectors would not be distracted from their tasks. This decision is due to the president's and his aides' commitment to work uninterruptedly on matters on the national agenda.

The decision comes after similar measures were adopted by the president last month. He canceled the president's protocol farewells and welcomes for cabinet members who travel abroad. On 29 December, it was also announced that neither the president nor his representatives would attend the inaugurations of state governors. Regarding this decision, the president stressed that the change in this protocol tradition will strengthen the republican and democratic spirit of the executive branch and enhance the federal pact.

Therefore, today's decision means that no representatives of social sectors will come to Los Pinos for the new year's greeting.

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Guatemala

President Removes Government Minister Over Charges

PA0501054395 Panama City ACAN in Spanish 0026 GMT 5 Jan 95

[FBIS Translated Text] Guatemala City, 4 Jan (ACAN-EFE)—Guatemalan President Ramiro De Leon Carpio announced today the removal of Government Minister Danilo Parrinello, following union charges linking him to the "anomalous" purchase of 255 radio patrol cars for the National Police.

In addition to the minister, "the entire team" of government security will be removed as well. In other words, deputy ministers, directors, advisers to the Government Ministry, and heads of offices under this ministry, such as the National Police, and the Treasury Police, the president said.

"This government is honest and cannot allow the peculiar doubt that its high-ranking officials can commit corrupt acts. In order to solve the problem I have decided to remove him," he said.

URNG Commander Willing To Discuss Substantive Issues

PA0501054995 Guatemala City PRENSA LIBRE in Spanish 3 Jan 95 p 4

[Passages in italics as published]

[FBIS Translated Text] Commander Pablo Monsanto of the Guatemalan National Revolutionary Unity, URNG, said in Mexico yesterday that *we are going to discuss the country's problems before turning in our weapons.* Monsanto admits that the peace talks have reached a critical stage *because the government refuses to make changes that entail in-depth constitutional reforms*, the CERIGUA wire services reported.

According to CERIGUA, Monsanto added that the URNG is willing to continue negotiations to this effect, *because before turning in our weapons we are going to discuss the country's problems.*

Monsanto emphasized that for the URNG it is essential that substantial topics be dealt with, in other words, *the problems Guatemala faces: problems with repression, militarization, democracy, Indian peoples' rights and identity, the socioeconomic situation, and constitutional reforms.*

He stressed that the URNG is willing to take part in substantive negotiations, *which means that we are not just going to discuss demobilization and turning over weapons. Instead, before that, we are going to discuss the country's problems.*

He said that the government and Army's strategy at the talks has been to negotiate exclusively on demobilization, disarmament, and the URNG's reentry into Guatemala's daily life.

Monsanto said that the government and Army propaganda *has tried to confuse the population and our fighters by saying that we will lay down our weapons. They have even set dates, like December, which, as you can see, are not complied with.*

He also pointed out that once the peace agreement is signed *the government should know that our demobilization will depend on compliance with the peace agreements. If compliance is partial, our demobilization will be partial; if there is full compliance, our demobilization will be complete.*

Honduras

Government Grants Temporary Asylum to 23 Cubans

PA0501011795 Mexico City NOTIMEX in Spanish 1649 GMT 4 Jan 95

[FBIS Translated Text] Tegucigalpa, 4 Jan (NOTIMEX)—It was learned today in this capital that the Honduran Government has granted temporary asylum to 23 Cuban rafters who in December landed on the Caribbean island of Guanaja, during a failed attempt to travel to the United States.

Honduran Government and Justice Minister Efrain Moncada said temporary asylum was granted as a humanitarian gesture by the government of President Carlos Roberto Reina, but he added that the Cubans' situation is being reviewed.

"We are trying to draft a policy on how these people will be treated in the country, because, generally speaking, Honduras is used as a springboard to go to the United States," the official added.

The group of 23 Cubans arrived in Honduran territory from Great Cayman, where they had stayed for four months. When they arrived they requested temporary asylum from the Honduran Government while they wait to travel to the United States.

On 29 December, Foreign Affairs Minister Ernesto Paz Aguilar told NOTIMEX that the government informed the United States of the Cuban's wish to travel there, and it is therefore awaiting either a "positive or negative reply" from Washington.

With the granting of temporary asylum to the 23 Cubans, the total number of Cubans who have received this status is now 31. Their stay is being financed by the inhabitants of Guanaja, according to the local press.

Economy Minister: Concern Over Mexican Crisis

PA0501010295 Mexico City NOTIMEX in Spanish 2316 GMT 4 Jan 95

[FBIS Translated Text] Tegucigalpa, 4 Jan (NOTIMEX)—The Honduran Government today

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voiced its concern over the current economic crisis in Mexico, because it could decrease the flow of capital to Central America.

"We are worried about developments in Mexico, because we are fond of that country and because of the possible psychological effects in the region," Economy Minister Delmer Urbizo Panting told NOTIMEX.

Mexico suffered an abrupt devaluation of its currency, the peso, after allowing the peso to float two weeks ago.

"We are promoting Mexican investments in Central America and in Honduras, and we fear these investments will come to a standstill, albeit temporarily, because domestic problems will prevent Mexico from making investments abroad," Urbizo Panting added.

"Moreover, there could also be an interruption in U.S. and European investment in Latin America because of fears that the region is still unstable and, in turn, unsuitable for important investments," he pointed out.

"We think, however, that Mexico is on the right path to development," the official said in reference to modernization Mexico has undergone since its incorporation to NAFTA.

Urbizo Panting said Central America could see its exports to Mexico increase [as received] as a result of the devaluation of the Mexican peso. He denied, however, that negotiations between the so-called Northern Triangle (Honduras, Guatemala, and El Salvador) and Mexico might be paralyzed, because the parties are determined to reach trade agreements.

He said: "We want to reach a free trade agreement with Mexico to improve relations and investments. We must link our development and trade with Mexico, because it is a country very close to us."

Nicaragua

Armed Men Seize Land on Zapatera Island

PA0401150695 Managua Radio Nicaragua Network in Spanish 1200 GMT 4 Jan 95

[From the "News 2000" newscast]

[FBIS Translated Text] More than 400 people armed with rifles and carrying modern radio communication equipment have invaded Zapatera Island. They reportedly came to play baseball, but instead seized the island's main farms.

Approximately 400 people, apparently former contras from Waslala, seized Zapatera Island on Saturday, 31 December. Many of the invaders were carrying modern radio communications equipment and were armed with rifles. They arrived claiming that they were going to play baseball and, once on the island, like pirates of old times, seized the main lands and farms, including the Santa Maria Farm, owned by the Cordoba-Rivas heirs, Punta del Morro, Havana, and Sonzapote.

According to the deputy government minister, the Zapatera Island invaders are led by Jose Anzulia, a Spaniard who became a Nicaraguan citizen in 1990. An arrest warrant has been issued against Anzulia.

It is reported that the invaders, who came from Granada and San Miguelito, will have to leave the island. The Government Ministry and the police will guarantee respect for law, order, and private property.

Moreover, Engineer Dionisio Cuadra, government delegate in Granada, said there are currently no plans to send troops to the island because they will first try to settle the situation in a dialogue with the invaders, whose demands are still unknown.

The situation on Zapatera Island, seized by over 400 people, is tense because UNAG [National Union of Farmers and Cattlemen] cooperative members, who were also affected by the land seizures, are prepared to recover their land by force.

Artola Denies Lacayo Demanded Resignation

PA0401160095 Managua Radio Nicaragua Network in Spanish 1200 GMT 4 Jan 95

[From the "News 2,000"]

[FBIS Translated Text] Government Minister Alfredo Mendieta Artola irrevocably resigned from his post in November 1994, in a letter sent to President Violeta Barrios de Chamorro. Mendieta said he resigned to take care of his political and personal affairs. His post will possibly be assumed by Deputy Foreign Minister Jose Pallais Arana.

Minister Mendieta rejected reports he had been forced to resign by President Minister Antonio Lacayo, adding it was a personal decision he thought over for some time. He said that once he leaves the government, he will dedicate his time to politics within the National Conservative Party, in which he is an active member.

Panama

Possible Deportation of Cubans to Guantanamo

PA0401132095 Panama City LA ESTRELLA DE PANAMA in Spanish 4 Jan 95 p A1

[Report by Esperanza Navarro Francois]

[FBIS Translated Text] Approximately 316 Cuban rafters might be deported to Cuba or Guantanamo if their leadership in the 7 and 8 December 1994 brawls is confirmed, it was revealed yesterday by the Cubans' spokesman.

Arbert Cruz Perez, representative of Camp No. 3, said to LA ESTRELLA that Cubans whose culpability is confirmed "will not reach the United States or third countries."

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Cruz indicated that the U.S. authorities involved in Operation "Safe Haven" notified him that the cases of Cuban escapees or instigators are being individually studied and they will or will not qualify to travel to the United States, Spain, or other countries based on their participation in the conflicts.

Captain John Legget, information officer, said "they do not know" the destination of Cubans involved in the December incidents—in which 221 soldiers and 28 others were injured—because the decision will be adopted at higher levels.

He explained that, for the time being, none of the Cubans currently under preventive arrest are being processed for travel.

Cruz reported that the food they are given on a daily basis has dropped "in quality and quantity" and, given the existence of a signed contract, the situation has not been overcome. "The meat is tougher each day and rations are smaller," Cruz said.

The Cubans also said they are being treated as "drug traffickers" because dogs are released among them to detect drugs and weapons." [quotation marks as published]

One of the instigators and escapees from Camps 1 and 2, located at Empire Range, Arraijan, have not yet been captured by U.S. soldiers.

Of the 8,597 Cubans who arrived in Panama from Guantanamo Base, 396 have gone to the United States and 72 to Spain. More Cubans are expected to travel to Venezuela, Belize, Spain, and the United States before March, when the period established by the Panamanian Government expires.

Mulino Comments

PA0401232995 Panama City TVN Television Network in Spanish 1700 GMT 4 Jan 95

[From the "National Newscast at 12" newscast]

[FBIS Translated Text] Former Foreign Minister Raul Mulino, a lawyer, today discussed the possible repercussions of the Cuban rafters remaining in Panama after the conclusion of their agreed upon six-month stay.

[Begin Mulino recording] In the short term, the rafters situation will have repercussions. I think that regardless of what the agreement—signed with the United States—says about who is responsible for those Cuban citizens, Panama has a share of the responsibility, because they are in our territory as a result of a bilateral agreement between the United States and Panama.

Therefore, regardless of what happens, we, as a nation, have a share of responsibility. At the same time, I view with favor the efforts now under way to relocate them in third countries. Nevertheless, I do not know what criteria are being applied. If the criteria of international agreements on the equal distribution of the group of rafters prevails, I think this would be ideal.

I think it is inhumane to force these people onto a plane and return them to Cuba, and that would be greatly questioned by the international community. Therefore, the concept of repatriation of refugees or people under asylum must be voluntary. [end recording]

Drug-Sniffing Dogs in Camps

PA0401154695 Panama City LA PRENSA in Spanish 4 Jan 95 p 4

[Report by Lastenia Murillo Munoz]

[FBIS Translated Text] Cuban rafters in Panama yesterday reported that the Southern Command is using drug-sniffing dogs in the camps, something they consider "an abuse of authority."

"We are now convinced we are not refugees but prisoners. We believe that in these camps we are living the same as in Cuba, without any rights," said a rafter in Camp No. 3.

They added that they are willing to leave those camps with rafts if necessary and travel by their own means to the United States.

The Southern Command recently detected a Panamanian woman trying to smuggle drugs into the camps to sell to the Cubans, so it decided to adopt these measures.

Captain John Legget, in charge of public relations for Operation Safe Haven, indicated that the use of drug-detecting dogs in the camps is considered a "routine" measure.

He explained these are "health inspections" and they are normal in any camp in the world.

Attorney General, Solicitor General Sworn In

PA0401185395 Panama City Telemetro Television Network in Spanish 1730 GMT 3 Jan 95

[From the "Telemetro Reports" newscast]

[FBIS Translated Text] The new attorney general of the nation and the solicitor general of the administration were sworn in during a ceremony in the Yellow Room of the presidential palace. The president said that these appointments guarantee the operation of democracy.

[Begin President Ernesto Perez Balladares recording] No one should be persecuted for political reasons. I also ask them not to delay justice for political reasons. [end recording]

That is what President Ernesto Perez Balladares said when he swore in Jose Antonio Sossa as new attorney general of the nation and Alma Montenegro de Fletcher as new solicitor general of the administration, each for a

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10-year term. We begin 1995 with the most sensitive appointments within the administration of justice.

Attorney General Sossa later received the keys to his office from outgoing Attorney General Jorge Ramon Valdes. Valdes welcomed the new attorney general and said he had fulfilled his duty with the fatherland, God, and his family.

Under similar circumstances, Donatilo Ballesteros turned his office over to the new solicitor general of the administration. Alma Montenegro de Fletcher feels this judicial office will be more dynamic.

[Begin Montenegro de Fletcher recording] Not only will this office represent the state in suits filed against it by private citizens, but it is obliged to improve public administration by giving advice to legal groups. [end recording]

Attorney General Jose Antonio Sossa will face several challenges, including reorganizing and systematizing the Attorney General's Office and effectively handling drug-related crimes and money laundering. Sossa will begin his term by facing some prosecutors' resistance to resigning.

[Begin recording] [Sossa] I am facing some difficulties precisely from those officials whose replacement is badly needed. I am referring to high-ranking officials within this office who must be replaced but who are resisting replacement.

[Reporter Julia Elena Alvear] Will some of these officials remain in their posts? Is there a possibility that will happen?

[Sossa] Definitely, yes, and many of them will be promoted.

[Alvear] What will you do if some of them do not resign?

[Sossa] Look, I think there is sufficient background that if they refuse to resign, they will be fired. [end recording]

Effects of Copyright Law Enforcement on Country

PA0501050095 Panama City LA PRENSA in Spanish 4 Jan 95 p 3A

[Report by Jose Quintero De Leon]

[FBIS Translated Text] Ernesto Wilson, president of the National Society of Video Clubs [Sociedad Nacional de Videoclubes, Sonavic] said yesterday at a news conference that enforcing the copyright law in effect shuts down 500 video clubs throughout the country and leaves 5,000 Panamanians without a job.

Wilson, who was accompanied by attorney Herbert Young Rodriguez, said that despite the law now coming into effect, authorities in charge of implementing the law are unaware of the social and economic implications, in the same way that they are also unaware of the importance and extent of what they regulate.

Yesterday afternoon, Sonavic met with Jose Pio Castillero, legal adviser to the Education Ministry, to recommend that Education Minister Pablo Thalassinos meet with them to reach an agreement that would allow these video clubs to continue to operate.

Likewise, they suggested that a Technical Board be installed to advise the law's regulatory body and that time be granted to coordinate proper application of the law.

Minister Thalassinos promised to take the Sonavic document to the Cabinet Council on 5 January for study. If approved, it would be sent to the Legislative Assembly so that certain articles that Sonavic rejects can be discussed.

Thalassinos also announced that the Office of Authors Copyrights is already operating and that its director is attorney Eduardo Benitez, which has some experience in this field.

Without downplaying the importance of protecting authors rights to intellectual property, Wilson criticized the way this protection was granted, which does not allow video club entrepreneurs to adjust their inventories to the new legal requirements and forces them to close their businesses.

The affected businessmen said that only one company will distribute movies in Panama, and since no antitrust law exists, the video clubs will negotiate at a disadvantage.

They argued that this distributing business is trying to force the video clubs to purchase a large lot of obsolete movies, with no commercial value whatsoever, and to surrender 50 percent of the video club business shares.

On the other hand, they questioned the fact that no appointments have been made to the General Copyright Directorate [Direccion General de Derechos de Autor], the regulatory body, nor has the law, which has legal voids and other ambiguities, been regulated.

Wilson said that, in addition to the video clubs, mobile discotheques and radio stations will also have to be closed down, and that the media in general will be affected.

According to one of the norms under Law 15 of 8 August 1994, all video recording inventories of these 500 businesses—which represent millions of dollars—become illegal as of 1 January 1995.

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Bolivia

'Submissive' Response to U.S. Embassy 'Arrogance' Noted

PY0501113295 La Paz Radio Cadena Nacional Network in Spanish 2300 GMT 4 Jan 95

[FBIS Translated Text] The administration has responded to the U.S. Embassy's arrogance in a very gentle and submissive manner.

Upholding the independence of government branches, the executive branch decided to leave it up to the Supreme Court to defend itself.

Without submitting any evidence, U.S. Embassy Charge d'Affaires David Dloughy has charged two Bolivian judges with corruption. The U.S. Embassy is doing this in a desperate effort to obtain the extradition of [drug trafficker] Rico Toro.

Despite journalists' insistence, acting Government Minister Carlos Sanchez Berzain declined to comment on the issue.

[Begin Sanchez Berzain recording] Well, this is an issue that is the responsibility of the judiciary. As you know, the Bolivian government is divided in three branches, legislative, executive, and judiciary. Moreover, Article 2 of the Constitution establishes that the independence and balance of these three government branches are the basis of government.

I would not like to issue an opinion that would undermine the independence of the judiciary. [end recording]

Social Communications Minister Ernesto Machicao also declined to comment on the issue:

[Begin Machiacao recording] At this time I cannot issue an opinion on this issue. This is a subject that must be handled by the proper organizations, that is, the Foreign Ministry. On behalf of the Bolivian Government, it is up to the Foreign Ministry to address a note in the best suitable terms.

[Unidentified reporter] Will this note be made public?

[Machicao] Usually these are private notes, but the Foreign Ministry will surely issue a report in this regard sometime tomorrow. [end recording]

Sanchez de Lozada Holds News Conference

PY0401205095 La Paz Television Nacional Network in Spanish 2029 GMT 3 Jan 95

[News conference by President Gonzalo Sanchez de Lozada upon his return from Brazilian President Fernando Henrique Cardoso's inauguration, held at the Hall of Mirrors in Government House in downtown La Paz—live]

[FBIS Translated Text] [Unidentified government official] As was reported a few days ago, the president has summoned this news conference to discuss his trip to Brazil and all the activities he carried out in that neighboring country.

First, the president will deliver a few words, and later he will answer journalists' questions.

I hereby invite His Excellency to address those present.

[Sanchez de Lozada] I would like to start by extending to all of you my best wishes for a happy and prosperous new year.

I would like to tell you that the presidential inauguration in Brazil was a true celebration because Brazil has had to travel a tortuous path before finally electing a president by absolute majority in the first round. He is a president with a majority in both houses. Moreover, it is obvious that political and business groups and the entire people have regained their faith and belief that Brazil will recover its leadership at the continental level.

We cannot overlook the fact that Brazil is the largest country in our continent, with the largest population. Furthermore, it is the 10th largest economy in the world. This was a very imporant event and I felt I was taking part in a truly important and historic event for Brazilians. Undoubtedly, the Brazilian peole have a great destiny to fulfill.

That being said, I am open to questions by the press on any doubts you may have about this visit.

[Government official] [Word indistinct]

[Reporter] Mr. President, the key issue that has prevailed during this trip has been Bolivian ties with Mercosur [Common Market of the South]. After your return from Miami at the end of the Summit of the Americas, the idea was to join the largest common market of the world by the year 2005. How can we complement this market with Mercosur, which Bolivia will eventually join?

[Sanchez de Lozada] Well, as everyone is aware, Bolivia has maintained that this large hemispheric market is feasible by the year 2000. In view of the prevalence of more conservative and possibly more prudent criteria, it was established that this hemispheric market would be achieved by the year 2005.

In view of the impact of the Summit of the Americas, Mercosur has undertaken a process of continental rapprochement and integration at the Latin American level. Right now this process is restricted to four important countries and economies. However, Chile and Bolivia were also invited to the last meeting, and our two countries have started a process of rapprochement without being full Mercosur members.

Furthermore, without being officially designated by the Andean Pact, which, in the first half of February, will hold a presidential summit in Cumana, Venezuela, on the occasion of the bicentennial of the birth anniversary

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of Marshal Jose Antonio de Santa Cruz, I took the liberty of suggesting that on this occasion we may start negotiations between the two regional blocs, that is, the two integration agreements: The Andean Pact, the oldest regional group, established 25 years ago, and Mercosur, which, in an astonishing feat, has been able to achieve a customs union in only three years. Moreover, it is also achieving important joint undertakings at the social, political, and environmental level.

Therefore, all this is part of that process. The climax of everything that is being done right now will be the establishment of a hemispheric market in the year 2005. Right now, we are undertaking negotiations to prepare ourselves for that eventuality by etablishing free trade markets at the regional level.

[Government official] [Word indistinct], your turn.

[Reporter] Mr. President: What progress have you been able to achieve with the new Brazilian president regarding existing Bolivian-Brazilian agreements on the sale of gas, the waterway project, and the building of a gas pipeline to export Bolivian gas?

[Sanchez de Lozada] There is not much room for bilateral discussions in meetings of this kind, but during the gala dinner, I held an exhaustive conversation with the newly-appointed Brazilian mines and energy minister. He and his wife were seated at our table. On this occasion, we were able to discuss these issues to an extent. Obviously, with a new administration coming on board.... [pauses] We have also held exhaustive periodic negotiations at the technical and economic level. We have also signed an agreement with (?Emram) to guarantee our side of the project. I believe all this will have a great impact. Of course, there are other important problems that are still pending.

As for the waterway project, the Brazilian Senate has already approved it and we hope that the Chamber of Deputies will promptly do the same. Paraguay, Uruguay, and Bolivia have already approved it, and Argentina has done the same. Brazil is the only one that still needs to approve it, but half of the way is already completed.

These are the two main projects we discussed at the meeting of Mercosur presidents. We also discussed other bilateral economic issues at different levels during our three-day stay in Brazil.

[Government official] Go ahead.

[Reporter] Mr. President, when agreement was reached for Chile to join NAFTA, it was politely advised against joining other regional organizations, namely, the Mercosur. Does the initiative taken by Chile and Bolivia to try to join the Mercosur not pose a problem or constitute a stumbling block for the goal of achieving a common market in the hemisphere by 2005?

[Sanchez de Lozada] I do not think so. What presidents and reporters were wondering about in Brasilia was whether Chile was really willing to join this free trade agreement—it will not be a full Mercosur member. Nevertheless, Chile was totally unambiguous and clear about its intentions of joining the Mercosur, since it is neither banned from doing so nor will it be frowned upon if it does. Let us recall that Mexico signed a free trade agreement with us, with Venezuela and Colombia, and that is not incompatible with its being a member of NAFTA. Both Bolivia and Chile would be associate Mercosur members, since we would not adopt the Mercosur's common external tariff, but our own. Still, we would have access to a great number of products that Mercosur countries consume and that Bolivia may produce or manufacture.

[Government official] [name indistinct]

[Reporter] Mr. President, the Chilean foreign minister has stated that Chile might reestablish relations with Bolivia and Cuba in 1995. In the case of Bolivia, the issue of the outlet to the sea would be left out. What is your opinion about this?

[Sanchez de Lozada] I would like to say that even though it is desirable and necessary that we should resume relations with Chile, our administration is not yet considering this possibility, and it was not included on the agenda of the talks we have held thus far. This is simply because we want to ensure that there is the appropriate climate and that we have made the necessary achievements to justify this step. We are not establishing conditions. I believe there is the erroneous belief in Bolivia that we can resume diplomatic ties in exchange for a sea coast. It is not that simple. We do believe that there should be a climate of greater trust and reliability, a concrete step forward. It is not an issue that is on our immediate agenda. There is still a long way to go. We believe it is necessary to achieve this, but we want to move ahead in a sure-footed manner so as to preclude any possible situation in which we may feel tempted to sever relations once again. The conditions Chile established to resume relations with us do not surprise us in the least, since they have been part of its traditional stance on this issue. This notwithstanding, we believe that things will improve as time goes by. We are actively discussing other issues. For example, even though it was quite difficult to hold meetings in Brasilia because we had not made any plans in advance, the occasion presented itself and we talked for an hour mainly about a gas project. As you know, not much importance, unfortunately, was given to this project—a 20-inch gas pipeline, only one-third of its capacity used in the first stage. The building of other thermoelectric plants is contemplated for a later stage, and with the retooling process in Chuquicamata, the project will be fully operational. One of the drawbacks of this project, however, is the fact that it had this idle capacity. The announcement that a Chilean power plant, which was one of the potential consumers, would venture into coal merited discussing the project with Chile so that they could talk to that power plant and to the mine that will use that energy—

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La Escondida—since we have only been studying this project for some months and it has not been possible to establish conditions or prices, as there is still a lot of technical work to do. Let us recall that we have been discussing a gas project with Brazil for 20 years. So we asked the Chilean Government to take an interest in this project and to give us some advice. Both countries have a political will and interest, but what one wishes is one thing and what one can do is something quite different. Hence, Chile committed itself to making an in-depth study of this project to see whether it is feasible and whether that power plant could eventually be a consumer of gas.

[Government official] Jaime [last name indistinct].

[Reporter] [words indistinct] The people are still waiting to see the results of your administration policies. Your government has implemented a plan of structural reforms, which you referred to as the year of sowing. You said that 1995 would be the year to harvest results.

[Sanchez de Lozada] The harvest will be in 1996 because 1995 will be a year of implementation, a year that in agricultural terms means a year of cultivation, [word indistinct], and to see if the seeds we planted last year are good. I am conscious of people's impatience. But we cannot change Bolivia overnight, at least to the extent we would like. I am satisfied, not fully satisfied, but I think a lot has been accomplished during 1994. It was a critical year, a great challenge, not only for the government, but also for the entire Bolivian people. I hereby appeal to the press to help us explain to and orient the people and also to help us receive the opinion of the different Bolivian social groups during the implementation stage. I regret I am unable to say that we will see the harvest this year. This will be a harsh year, a year in which we will have to strive to have green fields and plants growing through the implementation of government measures. Our obvious intention is to have a harvest year in 1996.

[Government official] Johnny [last name indistict], please.

[Reporter] Mr. President, the Bolivian people are expecting a salary increase. Has the national budget already appropriated an amount for this purpose? My second question is this: When will you appoint your new ministers?

[Sanchez de Lozada] I arrived only last night. We are still studying the issue of salaries. The budget is ready. We did not want to announce it until we could finish introducing the amendments to the 843 [reference unknown]. We will resolve that issue during the week and then we will present the budget to the Congress and start discussing it. People want to discuss our proposals before we send them to Congress. Projects are proposals. We draft them and send them to Congress to start discussion of them and determine how much will be allocated to the regions or to different areas. This week we will also decide who will head the Ministry of Government.

[Government official] The last question will be asked by Jorge Mendoza.

[Reporter] Could you elaborate a little more on the reforms introduced into the national budget in the areas of salaries and the fiscal deficit? The budget has created a lot of expectations.

[Sanchez de Lozada] In Brasilia, various presidents, including President [Fernando Henrique] Cardoso congratulated Bolivia for having an inflation rate of 8.5 percent, a single-digit inflation rate. It is one of the most important achievements in Latin America. We had a growth rate of 4.3 percent, which is not a marvelous thing, but very important nonetheless. Many countries would like to have this growth rate, including the United States, although at another economic level. We also had a deficit of 3.3 percent. This year the deficit will be somewhat bigger because we must implement the educational reform program. This means expenditures in terms of budget funds, donations, loans—as much as we were able to negotiate—and local contributions. We must spend money if we want to implement our educational reform program. The deficit will be larger. The main characteristic of this budget is the large increase in social spending. This is the first time social expenditures exceed investments in physical infrastructure. This is a very important item. There are various aspects that we had to negotiate and compromise on to modify the 843. We must introduce some adjustments because some resources we thought we were going to receive did not materialize. The most important thing is that we will have a slightly bigger deficit, a lower inflation rate. We are expecting a 6.5 percent inflation rate. This year we expected 7.5 percent and we would have achieved that rate had it not been for the drought that forced the prices of gasoline, food, and staples up. I hope we will have a better growth rate this year; the trend points in that direction. We are lowering our inflation rate by almost a point a year. We will try to increase our growth rate by a point a year also. Our deficit will be somewhat larger this year because we must invest large amounts in education. We are forced to do this in order to implement the educational reform program.

[Government official] Thank you, Mr. President.

Government Strengthened After 'Narco-Links'

PY0501022495 Cochabamba LOS TIEMPOS in Spanish 18 Dec 94 p A3

[FBIS Translated Text] La Paz, 15 Dec (ANF)—Miguel Urioste, acting president of the Free Bolivia Movement (MBL), has stated that the government image remains intact and has the support of the population.

He said that the MIR [Movement of the Revolutionary Left] has tried to "destabilize" the political, social, and economic balance achieved by the government with the sole purpose of deviating attention away from the "narco-links."

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He added that the MIR has sought the loss of prestige of the government coalition, reporting presumed irregularities within COMSUR [expansion unknown], the superintendency of banks, the supposed Quiroga-Arce photograph, the promotions to general in the police, and other items.

"The government is firm and in absolute unity, although it has encountered some difficulties, which is appropriate in the process of building democracy and in the anticorruption campaign," he said.

He added that MIR leaders have tried to "fish in troubled waters" using criticism to create a nonexistent "social uneasiness."

He said that the congressional decision to punish the MIR leaders involved in drug trafficking has removed the weight of the "heavy moral burden" represented by the "narco-links" case.

He said that the deputies have given an example that "politicians cannot be immune from the law."

Urioste also demanded the rebirth of the MIR.

"We want to see a sound and strengthened MIR without links to drug trafficking," he said.

Brazil

New Foreign Minister Discusses 'Changes'

PY0401162095 Rio de Janeiro O GLOBO in Portuguese 30 Dec 94 p 19

[Interview with Foreign Minister Luiz Felipe Lampreia by Ascanio Seleme; place and date not given]

[FBIS Translated Text] [Seleme] What will change in the Brazilian foreign policy in the next four years?

[Lampreia] There will be changes in tone, in style, and in some operational procedures. Yet, the foreign policy—which is not the creation of one person alone, or of one president or foreign minister alone—will not basically change. As an example of a change in tone, I should mention the rising Brazilian concern in its bilateral relations. I find it natural for Brazil to have very open relations and an increasingly straightforward dialogue with the United States. As we have no conflicts with the United States, we can maintain more relaxed negotiations and focus our talks on major world issues. Brazilian relations with the United States have always been very important and it is natural for them now to have a special significance, whether to reflect our points of agreement or to note those areas in which we do not share the same viewpoints.

[Seleme] Could Cuba, which is a topic of disagreement between the two countries, suffer the consequences of the Brazilian willingness to privilege its relations with the United States?

[Lampreia] It would be entirely premature for me to address that subject because I have been overseas for more than 18 months. I do not want to anticipate anything, but I believe those issues—including the Cuban case—should be the subject of detailed, specific, significant talks between Brazil and the United States.

[Seleme] How about the Brazilian partnership with Mercosur [Common Market of the South] member countries, namely Argentina? The president-elect appears to be willing to both expand and further these partnerships.

[Lampreia] I consider this area to be of absolute priority, in which there are only prospects for building and expansion. My first trip abroad as foreign minister—which is scheduled for mid-January—will be to the other three Mercosur member countries. This will be a short, working tour that will last 48 hours. It will be rather a symbolic gesture to show the emphasis we place on Mercosur.

[Seleme] How will you approach the role of Brazilian embassies abroad in promoting trade?

[Lampreia] That role will be intensified. We must make better use of our embassies in Southeast Asia by expanding our political and economic efforts in emerging countries like Thailand, Malaysia, Singapore, and Indonesia. Our heads of mission in these countries should be highly qualified to reflect the significance we attach to the host countries. We have an extremely broad prospect of relations in Asia. The global trade of the above four countries is larger than that of Brazil. They also have financial reserves as large as that of Brazil. Thus, these countries appear to be natural trade partners on the international front. They are key allies for Brazil and for neighboring countries like Argentina and Chile. We should markedly further our relations with them and our embassies will emerge as the main channels for undertaking this endeavor. I plan to visit those countries and the president will include Asia in his travel schedule. Thus, our foreign policy will seek to increase the dynamism of our embassies in promoting overseas trade.

[Seleme] Still on the trade issue, what do you expect from the ongoing negotiations between Mercosur and the EU and the creation of the Free Trade Zone of the Americas?

[Lampreia] These are not simple negotiations that will last 30 to 60 days. What we are seeking with the EU is an agreement that could be signed in eight, 10, or 12 months. Yet, the Summit of the Americas has just set a timetable for negotiations to start by the year 2005. It is important to note that Mercosur and EU member countries would draw mutual benefits from this type of agreement between the two blocs. We must reach an agreement that would be fair to both sides.

[Seleme] Is Itamaraty large enough and prepared to meet the various foreign policy needs and to play the role of promoting foreign trade, or will it have to be expanded?

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[Lampreia] We are again experiencing something that happens in every administration. Many branches of the federal administration—the Presidency of the Republic included—have appointed diplomats to high offices. A number of diplomats are already prepared to serve at Planalto Palace. Itamaraty has traditionally been a source of high quality manpower. Yet, despite facing a rather tight situation, we believe we can fulfill our duties with our current structure.

[Seleme] President Fernando Henrique Cardoso has promised to energetically fight social inequalities. How would his humanist speech be reflected in our foreign policy which, by overemphasizing economic issues, has ultimately overlooked concepts like solidarity among nations?

[Lampreia] This is one of the president's main subjects. He has elaborated on it in his speeches. The political belief that equality and solidarity could be established by decree by some international organization has proven to be incorrect. The objective of achieving social justice, of overcoming poverty, is of course a major challenge. This is not rhetoric. In Europe, for instance, there are two extreme situations. On one side of the Mediterranean are developed countries that have resolved their demographic problems; on the other side, there are countries with a growing population, religious problems, and rising unemployment. One cannot help but worry about a situation like this. It is a concrete reality in today's world. It is not possible for an increasingly smaller number of countries to get richer while an increasingly large number of countries get poorer.

[Seleme] Does Brazil maintain its decision to seek a permanent seat at the UN Security Council?

[Lampreia] We must exert greater influence on others. We are not talking about influencing others only to gain prestige, but rather because Brazil is entitled to play a more active role because of its people, the size of its territory and its wealth.

[Seleme] Announcing his cabinet, the president-elect said he will assign the Strategic Affairs Secretariat (SAE) the role of advising the president on international affairs. Is this not an encroachment on Itamaraty's jurisdiction? Would this not end up colliding with the duties assigned today to the Foreign Ministry?

[Lampreia] I have not yet talked with Ambassador Ronaldo Sardemberg (who was appointed SAE secretary). I can, however, assure you two things: First, Sardemberg and I have been friends since grade school. We are of the same generation and are great friends, comrades, and colleagues. Thus, this is a guarantee that we will not have disputes over jurisdiction. Secondly, the Foreign Ministry has had its profile, its area of jurisdiction since 1810. Everyone knows what the Foreign Ministry does. Thus, we will set up a perfect modus operandi that will reconcile jurisdictions.

[Seleme] How would you feel being the boss of President Itamar Franco, who will be the new Brazilian ambassador to Portugal?

[Lampreia] That is an speculation and I cannot comment on it.

[Seleme] But, if appointed, would he be a good ambassador?

[Lampreia] Certainly. If President Franco decided to become an ambassador, his host country will be greatly honored.

Appointments Within Foreign Ministry Noted

PY0501025195 Sao Paulo GAZETA MERCANTIL in Portuguese 29 Dec 94 p 3

[Article by Maria Helena Tachinardi]

[FBIS Translated Text] Jose Botafogo Goncalves, who was international affairs secretary of the Planning Ministry during Delfim Netto's tenure, and who served as World Bank vice president for three years, will be the new Itamaraty official in charge of economic affairs. He will deal with matters related to integration, Mercosur [Common Market of the South], foreign trade, technical cooperation, and the financial area. Botafogo will come from the Brazilian consulate in Milan and will replace Ambassador Jose Artur Denot Medeiros, who will head the Brazilian mission to the Latin American Integration Association (LAIA).

To head his cabinet, the future foreign minister invited Carlos Garcia, who was federal administration secretary during the Fernando Collor administration. Ambassador Sebastiao do Rego Barros, who will leave the post of ambassador to Moscow, will be Itamaraty's secretary general, or the deputy foreign minister. Jose Alfredo Graca Lima, who specializes in GATT affairs, will come from Geneva to take care of the economic affairs of the minister's cabinet. Political affairs will be monitored by Sergio Danese, who was former Finance Minister Rubens Ricupero's spokesman. Mario Vilalva will be in charge of diplomatic contacts, while Vera Barrouin Machado, former Brazilian consul in Miami, will head Itamaraty's press section. She will be helped by diplomats Maria Luisa Viotti and Ana Lucia Cabral.

Otto Maia, secretary general of administrative affairs, and Fernando Reis, under secretary for political affairs, will both remain in their posts.

SAE Head Sardemberg To Create Intelligence Agency

PY0501022295 Sao Paulo FOLHA DE SAO PAULO in Portuguese 3 Jan 95 Section 1 p 8

[FBIS Translated Text] The new head of the SAE [Strategic Affairs Secretariat], Ambassador Ronaldo Sardemberg, 50, received on 2 January his new position with his first mission well defined: To establish and organize the

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Brazilian Intelligence Agency, which will definitively replace the former SNI (National Intelligence Service).

Sardemberg, who replaced Mario Cesar Flores, said that President Fernando Henrique Cardoso wants the SAE to function as a "periscope."

Periscopes are observation mechanisms used in submarines. On Cardoso's instructions, the SAE will have to make a detailed and subtle evaluation of the national and international situation in order to orient his administration. The SAE head also said that he will make a thorough study of the nuclear program.

Sardemberg has been in the diplomatic field for 31 years. He just left his position as head of the Brazilian delegation to the United Nations and will be replaced by former Foreign Minister Celso Amorim.

The government's intelligence area will have more structure with the establishment of the Brazilian Intelligence Agency, which will be an autonomous government organization directly linked to the Presidency of the Republic. Currently, the intelligence services are concentrated in one of the SAE under secretariats, which inherited the former SNI structure.

In accordance with the provisional measure signed by President Cardoso, which modifies the governmental structure, one of the agency's functions will be to plan and implement counterintelligence activities. Counterintelligence as used in espionage services involves use of false information to shift attention from actual or real information.

Lack of Court Facilities Within Mercosur Viewed

PY0401154195 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 29 Dec 94 p B8

[Article by Fabio Pahim Jr.]

[FBIS Translated Text] Lawyer Georges Fischer, of the Fischer and Foster Lawyers Office, has stressed that Mercosur [Common Market of the South] countries and citizens do not have a specific court to which they can resort as other economic blocs have. Consequently, any threat to the rights of enterprises or individuals within Mercosur will not be resolved without some difficulties.

Economic blocs like the EU have a supranational court in addition to domestic courts, to which individuals and legal entities can resort. Fischer said supranational courts allow citizens of other countries to defend their rights. "The EU has a judicial system—the Court of Justice of the European Communities—to which citizens of any member countries of the EU can resort." At the same time, the European Parliament issues directives and determines whether the member countries have to pare down their legislation to a minimum, thus many conflicts are resolved before they occur.

Countries must submit their conflicts to the System for the Solution of Controversies, which begins with direct negotiations, continues with the participation of the Common Market Group, and concludes with the naming of three arbitrators. Fischer points out that "the arbitration system in Brazil works badly. Brazil is not a signatory of the two main world treaties, those of New York in 1958 and of Panama, the Cirdi." The Cirdi is the International Center for Resolving Disputes Related to Investment between States and Nationals of Other States. "Brazil's position regarding arbitration can only be compared with that of countries like Haiti and the Dominican Republic," the lawyer stressed. "Our position is delicate where Mercosur is concerned because we have not signed these treaties."

Enterprises and individuals that wish to resolve problems with enterprises and individuals of other countries will have to submit them to the National Section of the Common Market Group (GMC).

If mediation by the GMC fails they may have to submit their problems to the GMC itself, and finally if this does not work they will have to resort to arbitration.

Position on Possible Paraguayan Coup Noted

PY0401231595 Madrid EFE in Spanish 1647 GMT 4 Jan 95

[FBIS Translated Text] Brasilia, 4 Jan (EFE)—The Brazilian Government would adopt an "extremely hard" position if the Paraguayan military carried out a coup d'etat in their country. Brazil will not only demand Paraguay's suspension from the Common Market of the South [Mercosur] and the Rio Group, but will also seek continental support to "suffocate" the coupists, a Brazilian newspaper today reported.

According to CORREIO BRAZILIENSE, which quotes high-ranking governmental sources, Brazil will reject any attitude that could constitute an attempt against the democracy currently reigning in the neighboring countries and, in particular, in the other Mercosur member countries.

Brazilian analysts believe that a military coup in Paraguay is "very improbable" because the military know that the entire American continent would respond immediately and forcefully.

Rumors of a coup against Paraguayan constitutional President Juan Carlos Wasmosy were spread the day before he traveled to Brasilia to attend new Brazilian President Fernando Henrique Cardoso's installation.

Wasmosy himself admitted that "there are underground forces" planning to destabilize the country. He denied, however, that a coup d'etat is being plotted and that a group of Paraguayan military personnel are seeking to oust him from power.

Wasmosy was the most guarded president in Brasilia during the installation ceremonies held on 1 January. The International Police (Interpol) had warned the Brazilian Government about the possible arrival of a group

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of mercenaries in the country to attack Wasmosy during his stay in the Brazilian federal capital.

Wasmosy admitted that the recent promotion of some officers had created unrest among some Paraguayan military groups and asserted that his orders had been misunderstood.

Cardoso is the first Brazilian exiled by the military regimes that governed the country from 1964 to 1985 to occupy the presidency. He met Wasmosy on 2 January and conveyed to him his personal and unconditional support.

Cardoso Elects General Public Advocate

PY0501022695 Rio de Janeiro O GLOBO in Portuguese 30 Dec 94 p 4

[Article by Rodolfo Fernandes]

[FBIS Translated Text] Brasilia—President-elect Fernando Henrique Cardoso yesterday elected Jose Gregori—the current chief of the cabinet of Embratel [Brazilian Telecommunications Company] President Renato Archer—as general public advocate. The invitation was made by future Justice Minister Nelson Jobim, because the post of general public advocate is subordinated to his portfolio. The function of general public advocate, which will be emphasized by the next government, essentially consists of acting as mediator between society and the government. The general public advocate will have more power than a common ombudsman, because he can request the suspension of a public servant while an irregular situation is being investigated.

Gregori is one of Cardoso's old friends. In addition to being a poker partner on weekends in Ibiuna (Sao Paulo)—where he is the president-elect's neighbor—Gregori and Cardoso shared an apartment in Brasilia in 1987, when Gregori was chief of the cabinet of then Land Reform Minister Marcos Freire.

Cardoso Transfers Rio Operation to State Government

PY0501024995 Rio de Janeiro JORNAL DO BRASIL in Portuguese 4 Jan 95 p 17

[FBIS Translated Text] Brasilia—Rio de Janeiro Governor Marcello Alencar and President Fernando Henrique Cardoso signed on 3 January a new cooperation agreement that transfers, definitively, the coordination of the Rio Operation to the Rio de Janeiro State Public Security Secretariat. The cooperation agreement, which is valid until 31 January, states that federal troops can only be activated—through the Military Command of the East (CML)—when the state government makes such a request to the president of the Republic. It also establishes that even in such a case, they can only be put into operation in restricted areas. Alencar reported that the Army will tansfer 1,000 men to the Military Police cadre and that 2,000 more men will be "immediately" contracted through contests.

The new agreement forces the state government to increase the Military Police contingent by at least 3,000 men—1,500 of whom will be deployed to the Shock Squad and to the Special Operations Battalion (Bope). These units have worked under direct orders of the CML during the first stage of the Rio Operation. The federal government will have to contribute along with the Rio de Janeiro State government by rendering it guidance and assistance through the CML—particularly in the field of intelligence—and in the fields of operational planning, training of the troops, and logistical support for the police forces.

Reforms

Governor Alencar has explained that the 30-day deadline contemplated by the new agreement has been established to allow the implementation, during this period, of the adjustments required to reform the Rio de Janeiro police. The governor said: "This is the most important thing; this is what I want most." Over the phone, Alencar settled with Army Minister Zenildo Lucena the details of the Armed Forces' participation in the new stage of the Rio Operation. Alencar added: "I want our police to resume its role in this new context."

The Rio de Janeiro governor asserted that the transfer of Army soldiers to the Military Police will be done on an exclusively voluntary basis. According to a provisional measure on the issue, which was signed by former President Itamar Franco, the federal government will be responsible for paying those who transfer to the police a salary equivalent to the soldier's pay they received in the Army. The state government will have to complement this pay to make it identical to the salaries paid to Military Police agents. Alencar explained: "These men will be adapted and trained for their new mission."

Administration Moves To Please PMDB Described

PY0501010095 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 29 Dec 94 p A4

[By Claudia Carneiro]

[FBIS Translated Text] Brasilia—To calm the PMDB [Brazilian Democratic Movement Party], President-elect Fernando Henrique Cardoso granted ministerial status to the Regional Policies Secretariat, which he offered to the party. To solve the controversy caused by this decision to drain power from the secretariat, the government decided to link it directly to the Presidency of the Republic and reorganize the National Department of Drought Control (DNOCS) and the Sao Francisco Valley Development Company (Codevasf). These two organizations will have their activities divided between the secretariat, which remains in the hands of the PMDB, and the Environment and Water Resources Ministry,

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which was given to the PFL [Liberal Front Party]. "The solution is to put things in their correct places," Paraiba Governor Cicero Lucena said, confirming that he will begin heading the secretariat on 1 January.

Cicero Lucena met Cardoso on 28 December for almost three hours and left Alvorada Palace with the information that he will occupy two positions: that of regional policies executive secretary, which is directly linked to the Presidency and will oversee the Sudene [Northeast Development Superintendency], Sudam [Amazon Region Development Superintendency], and Suframa [Manaus Free Trade Zone Superintendency], and that of regional development secretary, which is under the jurisdication of the Planning Ministry.

The PMDB leadership was shaken when they learned that the Regional Development Secretariat would not have the power to make decisions, and would lose authority to the PFL, which would command the DNOCS and the Codevasf. PMDB President Deputy Luiz Henrique (Santa Catarina State); Deputies Odacir Klein (Rio Grande do Sul State), Geddel Vieira Lima (Bahia State), and Henrique Eduardo Alves (Rio Grande do Norte State—RN); and Regional Integration Minister Aluizio Alves (PMDB-RN) immediately met in Brasilia to ask the future administration members to clarify what positions the PMDB would occupy in the cabinet.

Henrique Eduardo Alves even proposed that the PMDB leave the government. He asserted, however, that by doing so the party did not want to create embarrassment for the president-elect only a few days before his installation and that of his cabinet. Alves' revolt, which was joined by Geddel, is based on the fact that the project for the diversion of the Sao Francisco River, which is coordinated by the Codevasf, would no longer be controlled by the PMDB and would be under the orders of the PFL. Minister Alves, Henrique Eduardo's father, is the project's main supporter.

After Lucena's meeting with Cardoso, the PMDB president tried to temporize the situation. The president-elect had already announced that the Regional Development Ministry would have "two legs." The impasse involving the DNOCS and the Codvasf has been solved by the reorganization of their areas. "The areas that deal with water (irrigation, hydroelectric plants) remain in the hands of Environment and Water Resources; the other ones remain with the Regional Development Ministry," Lucena explained. In the DNOCS structure, for example, there are plans to settle families and build fish hatcheries and cooperatives, in addition to irrigation projects.

Chile

Politicians Berate U.S. Attitude on Poisoned Grapes Case

PY0401174195 Santiago EL MERCURIO in Spanish 27 Dec 94 p C2

[FBIS Translated Text] Deputy Andres Allamand, president of National Renewal [RN], said that the latest information on the case of the cyanide-laced grapes confirms Chileans' belief that the U.S. Government acted in a hasty and irresponsible manner.

The legislator thus involved himself in the polemic stirred up a report published by THE WALL STREET JOURNAL, which reveals that, according to a phone call received by the U.S. Embassy in Santiago, the alleged poisoning of the grapes was a fraud.

A transcription of the phone call was published by EL MERCURIO on 25 December.

Allamand said that the country was badly harmed by information that has now been uncovered and was by no means true.

The RN president said that in view of this new development, the Chilean Government must act with great energy so that once and for all, the U.S. Government may assume its responsibility for the great damage caused not only to Chilean farmers but to the country as a whole.

Allamand said that what Chilean authorities must do now is to voice their support for the legal actions currently under way in the United States.

He said: "Undoubtedly there are diplomatic channels in the government-to-government relationship that should be used so that those responsible for this incident might definitely assume their responsibility."

Allamand said that the government always has mechanisms, resources, and channels to firmly state its position and, in his opinion, that is what the Chilean Government should do now.

The RN vice president, Deputy Alberto Cardemil, said that what THE WALL STREET JOURNAL revealed about the causes that had prompted the embargo against Chilean fruit exports to the United States was a serious and shameful fact that was causing public indignation.

Cardemil maintained that more care must be taken with U.S. administrations because "we are about to start talks regarding NAFTA, which entails a commercial agreement with the United States."

He added: "This is a warning; we must make sure who we are negotiating with. This business of NAFTA, of which much is said and little known, has due to our mentality become a sort of mystical issue. Many believe it's a kind of potion to cure all diseases, and that it will solve all our problems, but that is not the case."

Cardemil recalled that when this problem surfaced, government officials at that time said it was a terrorist attack and that it was the doing of an extremist.

He said that at the time, many people who now belong to the current administration immediately ruled out that possibility.

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Cardemil then pointed out: "Well, it seems that those who at the time said it was a terrorist attack were right, and that those responsible for this gigantic operation against national interests are, in fact, terrorists who made calls to the U.S. Embassy in Chile. Since the U.S. had already made up the story, the two purposefully poisoned grapes were located to harm an entire country.

UDI [Independent Democratic Union] Senator Hernan Larrain said that the Chilean Government must ask the U.S. Government for all the information available in that country regarding the case of the cyanide-laced grapes.

According to Larrain, "the latest developments on this issue suggest that we are at the tip of an iceberg, looking at the small bit of other information that is still being kept secret, the disclosure of which will definitely clear up this case."

He said that the story of the cyanide-laced grapes has surfaced again at a particularly important moment for the country, that is, before starting negotiations to join NAFTA, together with the United States, Canada, and Mexico.

Larrain said that according to the information at hand, it seems that the subject is highly complex, and includes the possible involvement of U.S. public enterprises that might affect U.S. representation in Chile.

Deputy Jorge Pizarro, first vice president of the Christian Democratic Party [PDC], said that the important thing is to have all the information at hand before giving an opinion regarding the recent developments in the case of the laced grapes, because it is a very delicate issue.

Pizarro explained that it could be said that the information was handled in such a way that it created a situation that harmed the fruit growers, whom the government should have indemnified, and affected the country's foreign trade image.

The PDC leader added that if a maneuver of this nature was carried out, it will affect relations between two friendly countries and this, in turn, could have other consequences.

The PDC legislator added that one must therefore wait to obtain further information and a better idea of what will happen regarding the lawsuit under way in the United States.

Now, he pointed out, if what the press reports say is true, the FDA's (Food and Drug Administration) argument for the protection of U.S. consumers will no longer be valid, and the Chilean position will be on a good grounds for demanding indemnization.

Nuclear Plant Construction With Canada Denied

PY0401204595 Madrid EFE in Spanish 2327 GMT 3 Jan 95

[FBIS Translated Text] Santiago, 3 Jan (EFE)—Chilean Foreign Minister Jose Miguel Insulza and National Energy Commission (CNE) Chairman Alejandro Jadresic denied on 3 January that a nuclear plant would be constructed in northern Chile with the support of Canada.

Consulted by the local press on reports by local ecologist organizations, Insulza said: "I must confess this is the first I have heard of the matter. The Chilean Foreign Ministry does not know anything about it."

Alejandro Jadresic denied any Canadian Government pressure to build a nuclear plant to supply electrical energy to the northern Chilean zone.

Jadresic denied that this matter is among subjects to be discussed during the visit by Canadian Prime Minister Jean Chretien to Chile as of 24 January.

Jadresic said the CNE a few years back researched the issue. It showed that building a nuclear energy plant was unfeasible.

He added that the CNE has not included projects of this type in the preparatory studies of the power projects it prepares periodically, and it does not intend to include it in the future.

According to a report by Manuel Baquedano, president of the Chilean Political Ecology Institute (IEP), the project proposed by the Canadian Atomic Energy Agency (AECL)—with the support of private Chilean companies—foresees the construction of a "CANDU" type nuclear plant which uses natural uranium and heavy water.

At the port of Antofagasta, 1,368 km north of Santiago, Regional Governor Cesar Castillo explained that although unsurprised by the report by the ecologists, because it is old, the regional government is unaware of any project of that type.

Colombia

Fumigation Causes Unrest in Putumayo; Army Responds

Government Not To Submit to Pressure

PA0401180195 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1730 GMT 3 Jan 95

[From the "National Newscast"]

[FBIS Translated Text] The national government issued a communique in the past few hours announcing that it will not be pressured or threatened into negotiating with the sponsors of the Putumayo civil strike. The communique also calls for the immediate evacuation of Ecopetrol [Colombian Petroleum Enterprise] installations. It adds that several Putumayo civil representatives were called to a meeting with the government last week but failed to attend.

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Protection Agencies Demand Compliance

PA0401203795 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1730 GMT 4 Jan 95

[From the "National Newscast"]

[FBIS Translated Text] Since there is no going back on fumigation, protection agencies such as the Ombudsman's Office [Defensoria] and the Attorney General's Office want this process to take place in compliance with security guidelines.

The National Drug Council has issued a resolution ordering technical controls on aerial fumigation with glyphosate. The Attorney General's Office, the Institute for the Development of Renewable Natural Resources, the Colombian Agricultural-Livestock Institute [ICA], and the Health Ministry must exercise this supervision, but the resolution has not been complied with.

The Attorney General's Office has determined that fumigation is taking place without a prior exploration of the area, that there is no health plan for the local population, and that there is no follow-up to the fumigations.

[Begin Jose Leon Jaramillo, prosecutor for agricultural matters, recording] We want compliance with the law, with the terms of the National Drug Council. As far as we know, these terms have not been complied with. The law orders plantations to be destroyed, but only under specific conditions and after certain permits are secured. [end recording]

The Ombudsman's Office [Defensoria] has reported there is no compliance with the commitment to do an environmental impact analysis prior to fumigation and that the opinions of health organizations on the effects of fumigation have not been considered.

[Begin Maria Consuelo del Rio, ombudswoman for new departments, recording] It is important to do environmental impact analyses after fumigation. This is not being done. The National Drug Council resolution orders it to be done. Epidemiologic analyses must be done after fumigation. We know there have been health problems. [end recording]

That is why the Attorney General's Office and the Ombudsman's Office are asking counternarcotics authorities to suspend aerial fumigation until a trustworthy analysis has been made of the impact of fumigation on the environment.

The famed analysis, which will cost 170 million pesos, has been ordered by four different health ministers but has never been performed because neither the Narcotics Directorate, the Health Ministry, nor ICA claims to have the budget to cover it.

Ministry: Fumigation Not Harmful

PA0401201095 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1730 GMT 4 Jan 95

[From the "National Newscast"]

[FBIS Translated Excerpt] The government is insisting on destroying illegal crops. Incidentally, more aerial glyphosate dusting was reported today in the south of Tolima, while studies around the world continue to confirm the health problems caused by the chemical. Glyphosate is a non-selective herbicide, which means it attacks any kind of plant it come into contact with. [passage omitted]

According to the Colombian Health Ministry the chemical is not harmful to humans. However, the ministry also warns that it can cause eye inflammation, abdominal disorders, and skin irritation, and that the mortality rate is 9 percent. The ministry also warns that if glyphosate falls over water, it kills the fish. [passage omitted]

There is no scientific proof of the effects such dusting has had on the inhabitants of the Santa Marta Mountains or the level of contamination of the many rivers and tributaries that supply the water for more than 1.5 million people in Magdalena, Guajira, and Cesar Departments. Nevertheless, during the last decade, there have been endless reports of respiratory ailments, skin problems, and birth defects among the Indians and farmers in the dusting areas.

[Begin Magdalena University researcher Eduardo Cabrera recording] Following the applications, we began to see malformations and irregular growths on the skins of children, women, and peasants alike. The number of deaths caused by cancer in Mamatoco, Bonda, has increased in the past two years, which could be caused by the glyphosate dusting. [end recording] [passage omitted]

Army Deployed

PA0401200395 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1730 GMT 4 Jan 95

[Interview with 3d Brigade Commander General Alvaro Velandia by Fernando Ramos; place and date not given; from the "National Newscast"—live or recorded]

[FBIS Translated Text] [Ramos] The state of alert continues in all of Putumayo Department. The Army and the National Police have deployed reinforcements to the zone to control possible outbreaks of violence in the region. General Velandia, commander of the 3d Army Brigade, headquartered in Cali, what is expected and what is basically taking place in the zone?

[Velandia] Well, as you know, a civil strike is currently underway in the zone, reportedly to support some demands that the strike leaders are making to the national government. The national government has already established some guidelines concerning the way to handle the situation. Some troops have been deployed to the zone. They will seize some areas and talk to the people so that they will abide by the established legal norms and stop obstructing traffic with roadblocks. This way, we may progressively recover oil facilities that were seized by the strike leaders and part of the peasant population.

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[Ramos] Is there any special surveillance at the oil fields that have not been seized by the people?

[Velandia] We have prepared a plan with the National Police's cooperation. Army units under my command will recover these facilities and resume Ecopetrol [Colombian Petroleum Enterprise] activities so that we may fully control the area shortly.

Army Seizes Fuel Tanks

PA0501015995 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 5 Jan 95

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] [Unidentified announcer] The public order situation in Putumayo remains tense. Demonstrators opposed to glyphosate sprayings seized seven of the eight Ecopetrol [Colombian Petroleum Enterprise] fuel tanks in the area. The Army, however, was able to seize control of five of the tanks, while two remain in the hands of the demonstrators.

[Unidentified reporter] Defense Minister Fernando Botero announced that at this time, the Army is removing from the area of Putumayo coca farmers who seized control of several of Ecopetrol's fuel-storage sites in the area.

[Begin Botero recording] There will be no repressive actions, but there will be a significant military deployment at critical points to prevent public disturbances. Very clear efforts will also be made to recover full control of the pumping sites. [end recording]

[Reporter] Nevertheless, the strikers began to block traffic, preventing transportation vehicles from passing in several places in Putumayo. The public forces hope they will be able to control this new incident, Botero said. Botero also confirmed the existence of the so-called Operation Blaze, which seeks to eradicate, once and for all, coca, poppy, and marijuana plantations.

[Begin Botero recording] Our goal is to entirely eradicate illegal crops within approximately 24 months. In other words, we are seeking to destroy all coca and poppy crops within the next two years of the Samper administration. [end recording]

[Reporter] So far, we have not received any reports on whether coca farmers have tried to fight Army efforts to remove them from Ecopetrol's installations.

[Announcer] Last-minute reports reveal that during the removal of some 100 farmers in Churuyaco, armed demonstrators hurled Molotov cocktails at two fuel tanks. At this time, at least 5,000 barrels of crude are on fire. No casualties have been reported so far.

Samper on Talks With Brazilian President, Putumayo Unrest

PA0401180795 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 3 Jan 95

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] President Ernesto Samper returned from Brazil today following a visit during which he met with Brazilian President Cardoso to discuss integration and coffee.

Upon returning to the country, Samper decided to continue on to Cartagena, where he spoke with reporters and admitted that guerrillas are participating in the civil protests in Putumayo.

[Begin recording] [Unidentified reporter] Mr. President, are you willing to negotiate?

[Samper] No, I still do not have a position on this issue. I will make a decision after I receive the government minister's report on the matter. [end recording]

He also mentioned that he had talked about coffee with his Brazilian counterpart.

[Begin recording] [Samper] I believe it is clear. The producers agreement remains valid. We have discussed this issue with the new Brazilian Government and there is a strong willingness to uphold the producers agreement which has allowed us to maintain coffee prices at current levels. [end recording]

In addition, President Samper asserted that the case of former Peruvian President Alan Garcia, who has taken asylum in Colombia, will not prompt a diplomatic conflict with Peru.

President Decrees Implementation of G-3 Trade Accord

PA0501052495 Mexico City NOTIMEX in Spanish 0052 GMT 3 Jan 95

[FBIS Translated Text] Santa Fe de Bogota, 2 Jan (NOTIMEX)—President Ernesto Samper issued today the law decrees necessary to implement the Free Trade Treaty of the Group of Three (G-3), which includes Mexico and Venezuela.

Spokesmen for Narino Palace, headquarters of the presidential office, disclosed that the resolution was drafted by President Samper during his return flight from Brasilia, where he attended the inauguration of President Fernando Henrique Cardoso.

The two temporary decrees gave provisional validity [vida provisional] to the economic complementarity agreement, which must be reviewed by the Constitutional Court. The court is in recess which ends on 10 January.

The G-3 Agreement, signed by the heads of state of the three nations last June, established 1 January 1995 as the date for opening the broadest market in Latin America through gradual reduction of tariffs over a 10-year period.

Last Thursday, Colombian Foreign Trade Minister Daniel Mazuera said the agreement will not come into

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force in his country until the Constitutional Court conducts the obligatory review of the agreement's constitutionality.

Mazuera's announcement reportedly caused confusion among the local media, which only two weeks ago reported the G-3 ratification ceremony. This ceremony was presided over by President Samper in this capital.

The president returned this afternoon from Brazil accompanied by Cesar Gaviria, former president and now OAS secretary general. Gaviria will stay in this capital for three days.

Ecuador

President Speaks on Differences With Congress Over Budget

PA0501043695 Quito Radio and Television Networks in Spanish 0131 GMT 31 Dec 94

["Address to the nation" by Ecuadoran President Sixto Duran-Ballen on 30 December; place not given; broadcast in progress—live]

[FBIS Translated Text] ...the general state budget is nothing other than the money of the people of Ecuador, our money. Existing laws are clear in stating that the National Congress has until 31 December—that is, tomorrow—to approve the state budget. This year, however—as I doubt has ever happened in the history of the country—the deputies on the Budget Committee have yet to approve the 1995 budget. We feel this situation is extremely serious, so much so that I have been forced to suspend my trip to Brazil, notwithstanding the importance of this trip finally to obtain a loan for the interoceanic highway and to study other bilateral commercial issues with that country.

For that reason, I entrusted this mission to the vice president, who will fly to Brasilia tomorrow. The intention of approving the budget at the National Congress plenum the first week of next year would not just violate express legal provisions; it would also entail serious risks and difficulties in the implementation of the spending and investment program for the year that is beginning. It would mean bringing to a standstill some of the national government's development plans, as well as disbanding the economic program which we have implemented with extraordinary seriousness, responsibility, and success. The positive effects for the country of this program, such as the reactivation of the economy, more jobs, and welfare, are things we are already experiencing.

Some legislators, however, contravening the view of the majority of the people, who in the referendum of last 28 August... [pauses] Almost four out of five people—yes, almost four out of five of you—clearly and unequivocally said no, you flatly said deputies must not handle public funds. This does not include revenue surpluses, and they are calling this a discrepancy. Those differences indeed exist, but they are the result of policies adopted after the dates on which the formalities were prepared and submitted. These additional revenues would only total—others have mentioned a higher figure—682 billion sucres. This is a significant amount of money, which in the opinion of some deputies and members of the Budget Committee should be distributed at their own will in multiple allocations of different kinds, and in such small amounts that they only would seek to obtain political gains.

On the matter of regional allocations, they would distribute them based solely on their partisan preferences. I will not allow this. I am the president of all Ecuadorans. The people of Ecuador—you, fellow citizens—elected me to manage public resources with absolute equity and justice. When the aforementioned fund surplus for 1995 was established, I decided that those 682 billion sucres be distributed as follows: First, 170 billion sucres will go to all, absolutely all, of the country's municipalities, as was agreed last September by the Ecuadoran Municipalities Association, AME, and the national government, with no political distinction—to all of them. Second, 60 billion sucres will go to the provincial councils, without any kind of political or partisan exception. Third, 40 billion sucres will go to the regional development organisms, which the deputies forgot about in many of the latest debates. All of this is done based on the percentages established in the respective laws that regulate the functioning of these organisms.

Fourth, we will also pay 210 billion sucres of the debt that the state owes to the Defense Ministry. In previous years, these payments were made. Fifth, we will assign 100 billion sucres to strengthen our country's universities and polytechnic schools. And sixth, we will earmark 102 billion sucres for planned compensations due to the diesel price increase.

Nobody, fellow citizens, can deny that the national government was able to improve the economy and manage public funds with utmost seriousness and honesty. For that reason, I again want to address lawmakers to ask them—on your behalf, fellow citizens—to act in a patriotic and responsible manner toward the future.

As 1995 begins, fellow citizens, our country needs a general budget that has been studied and analyzed in a serious manner, so that it can become forever an authentic instrument of development and progress to be able to thus continue our march toward a better tomorrow. This is something for which you and I long. Good evening, fellow citizens, and happy new year.

Finance Minister Not Afraid of 'Probable Interpellation'

PA0401162095 Quito Voz de los Andes in Spanish 1200 GMT 4 Jan 95

[From "The Voz Andes Newscast"]

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[FBIS Translated Text] Finance and Public Credit Minister Modesto Correa has announced he is not afraid of a probable interpellation by congress.

[Begin Correa recording] As you well know, we all run the risk of an interpellation. Nonetheless, things must be done, and they must be done in a conscientious manner and when one believes they must done done. The interpellation is a political move, and congressmen are welcome to contact me if they feel I have done something outside the law, they can go ahead. I think that, as an Ecuadoran, I have done my duty. [end recording]

Venezuela

Finance Minister Comments on Trade With G-3, Peru

PA0401203995 Caracas Union Radio Network in Spanish 2200 GMT 2 Jan 95

[Report by Isa Marina from the "Union Radio News" newscast]

[FBIS Translated Text] Finance Minister Julio Sosa Rodriguez announced that trade relations among Colombia, Ecuador, and Peru are satisfactory. He added that Peru has been given a extension to begin trade with Venezuela. He also explained that Venezuelan-Colombian commercial ties are favorable for our country.

[Begin Sosa recording, in progress] ...between Venezuela and Colombia are promising for our country. At any rate, I must remind our friends in Colombia that they also have certain advantages with respect to the type of goods they traditionally export to Venezuela [words indistinct] than what we export to Colombia, despite the fact that our goods are more valuable. Therefore, in this respect, we have a positive trade balance with Colombia, fluctuating between 15 and 20 percent. [end recording]

The finance minister also stated that the G-3 [Group of Three] will begin to operate by taking into account the similarities among the economies of Mexico, Colombia, and Venezuela. This year Venezuela plans to increase its export of nontraditional goods.

In conclusion, Finance Minister Julio Sosa Rodriguez added that no devaluation of the national currency is planned for 1995.

Burelli Says Mexican Currency May Cause Difficulties in G-3

PA0501002995 Caracas Union Radio Network in Spanish 2200 GMT 4 Jan 95

[Report by Isa Marina from the "Union Radio News" newscast]

[FBIS Translated Text] Foreign Minister Miguel Angel Burelli Rivas has said he believes the current devaluation of the Mexican currency will generate difficulties for Venezuela. He based his appraisal on the fact that our country, along with Mexico and Colombia, comprise the Group of Three [G-3]. The current devaluation of the Mexican peso could give that country an advantage over Colombia and Venezuela, the foreign minister said.

[Begin Burelli recording] This could trigger some problems in the G-3, because the devaluation of the Mexican currency will enable Mexico to sell more products to the other G-3 countries. This, however, is something that occurs every so often, and it will be corrected as we move ahead. [end recording]

Commenting on the theft of Venezuelan-owned vehicles by Colombian nationals, Foreign Minister Burelli said he would study the possibility of asking the Colombian Government to take responsibility for transferring the more than 3,000 vehicles to the border stations.

Further Comment

PA0501003295 Mexico City NOTIMEX in Spanish 2240 GMT 4 Jan 95

[FBIS Translated Text] Caracas, 4 Jan (NOTIMEX)—Venezuelan Foreign Minister Miguel Angel Burelli today expressed Venezuela's solidarity with Mexico in the face of its "temporary crisis."

In statements to journalists following a cabinet meeting with President Caldera, the Venezuelan foreign minister said: "(The Mexicans) are going to overcome the situation, because the same thing happened to us." Burelli said he did not know the details of the Economic Emergency Program announced yesterday by Mexican President Ernesto Zedillo, but he added that, in general terms, these measures are similar to the ones being implemented in Venezuela.

"Similar solutions for similar problems," Burelli said in reference to the price and wage controls implemented in Venezuela since the country's currency suffered a drastic devaluation early in the Caldera administration.

He explained that the only impact Venezuela expects is in the Group of Three (G-3) free trade agreement between Colombia, Mexico, and Venezuela, which went into effect on 1 January, because "the peso's devaluation will reduce prices on Mexican products." The foreign minister believes, however, that this situation will be temporary, and he added that, given time and the emergency measures now in place, the Mexican economy will stabilize.

"Venezuela supports its Mexican brothers, just as we were supported when the same thing happened to us nearly a year ago," Development and Foreign Trade Minister Alberto Poletto [title as received] asserted.

Poletto said: "There will be no changes in the G-3. The project will continue because, in my opinion, the Mexican situation is temporary and will tend to stabilize." He also said the crisis in Mexico, which has been exacerbated by a massive flight of capital, is similar to

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the one Venezuela faced when the bolivar dropped 50 percent against the dollar between April and June 1994. "The crisis in Mexico is a temporary situation and, although its origins are different, it is similar to the situation that occurred in Venezuela. I believe they will take measures similar to the ones we have implemented here," Poletto stated.

After the devaluation of the bolivar, the Caldera administration decreed a control on foreign exchange and other prices. It also has been enforcing a tacit agreement to control wages since the beginning of last year.

According to analysts, the Mexican situation is similar to the one Venezuela confronted, but the big difference is that Venezuela never received the huge loans offered to Mexico to stabilize its currency.

Minister Sees No Impact From Mexican Peso on Economic Plan

PA0401212595 Caracas EL GLOBO in Spanish 3 Jan 95 p 2

[Report by Luisa Alejandra Garcia]

[FBIS Translated Text] Finance Minister Julio Sosa Rodriguez has reasserted what was said by congressman Jose Miguel Uzcategui, in an exclusive statement to EL GLOBO, about the imminent announcement of new economic measures. The measures will be implemented under the so-called "Sosa II" plan.

Although the minister said he does not usually give names to the economic programs or plans, he emphasized that its points would be revealed this month.

He had no intention of making any statements from the outset, and he refused to provide details of the expected plan, even though Uzcategui had revealed, in statements to EL GLOBO, that it involved the approval of at least five laws. These laws include the Capital Market Law, to encourage internal investments; the reform of ISLR [income tax]; and the new tax on financial transactions, which shall replace the Bank Debit Tax.

[EL GLOBO] Integration agreements signed by Venezuela become effective in January. Do you think the private sector is prepared to face this competition challenge?

[Sosa] The integration agreement with Colombia, Ecuador, now that an extension has been approved for the agreement with Peru, has been operating quite satisfactorily. Trade between Venezuela and Colombia, for example, was favorable for Venezuela, although there are certain advantages for the neighboring country. The Group of Three will begin to operate, although I cannot give you specific information on this. The symmetry between the Mexican, Venezuelan, and Colombian economies was taken into consideration. I do not believe the Mexican currency's devaluation will affect those plans.

Sosa added: "This year we increased non-traditional exports. I think we can continue to increase that sector, and we are currently conducting studies in the industrial sector to ascertain what I am telling you."

[EL GLOBO] And the bank transactions tax law?

[Sosa] It must be given to the delegates commission, and then Congress will review it when its sessions begin.

Nevertheless, Minister Sosa ruled out a possible devaluation of the bolivar and the impending issuance of 2,000 and 5,000 bolivares bills. "That has not been considered," he said.

Political Parties React to President's Address

PA0401200795 Caracas Union Radio Network in Spanish 2200 GMT 2 Jan 95

[Report by Johnny Ficarella and Emira Zanabria from the "Union Radio News" newscast]

[FBIS Translated Text] President Rafael Caldera's address to the nation was well received by high-ranking government officials and pro-government politicians, but it generated a certain degree of skepticism among opposition parties.

Former President Luis Herrera Campins does not believe Caldera made any exceptional announcements in terms of the measures he plans to implement to ensure an economic recovery.

Herrera Campins adds that the most encouraging announcement for the country would have been related to dynamic, in-depth government programs covering all sectors.

Democratic Action [AD] leader Carlos Canache Mata rejects the unemployment figures cited by Caldera. According to Canache Mata, the 8.9 percent announced by the president is unrealistic. The AD leader adds that Caldera failed to mention what specific programs he plans to implement to solve the country's problems.

Enrique Ochoa Antich, secretary general of the Movement toward Socialism [MAS], said neither AD nor Copei [Social Christian Party] are entitled to criticize President Rafael Caldera's government management.

Following the presidential address, MAS announced its position and completely supported the government's policies. The party also stressed that even though it is unlikely to speak about positive results, they do believe that the fact that a crisis never developed is positive enough.

MAS Secretary General Ochoa Antich emphasized that Venezuelans should be clear as to how events have developed.

[Begin Ochoa Antich recording, in progress] ..simply resort to blaming the previous administration as past governments have done. The issue here is to speak about

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20 years of government mismanagement. In 1973 Venezuela was a booming country; in any case, one of the richest nations in the world. Currently it is one of the most indebted nations in the world. Therefore, we view recent statements by former President Luis Herrera as confusing. We believe that the impudent manner in which he is now seeking to evaluate President Caldera's policies is completely absurd since he has neither the political or moral authority for such a task. Everyone should recall that it was precisely during his administration that the "Black Friday" events took place. For the most part, the economic crisis originated during President Perez's first administration but deteriorated even more during Luis Herrera's administration. [end recording]

The MAS leadership agrees with some economic specialists who say that the controls implemented by this administration must be lifted in 1995.

On the other hand, Copei congressional bloc leader Ramon Guillermo Aveledo asserts that President Rafael Caldera's message failed to address or make any new announcements or concrete proposals with respect to the insecurity problem.

Aveledo said that the presidential message had created confusion in Copei since they expected positive announcements, but the president practically repeated the same message the minister of the Secretariat of the Presidency delivered a few days ago as an assessment of the previous year.

[Begin Aveledo recording, in progress] ...important and much expected announcement [words indistinct]. What really concerns me is that concrete objectives related to basic issues such as efforts to counteract inflation and insecurity were not covered. [end recording]

With respect to possible changes in the cabinet, the Copei leader believes it will be positive if the changes represent new proposals and ideas. If that is not the case, it would be preferable for everything to remain unchanged.

New Defense Minister Comments on Goals

PA0501054595 Caracas Venezolana de Television Network in Spanish 1630 GMT 4 Jan 95

[Report by Adriana Cabrera from "The News" newscast]

[FBIS Translated Text] Today President of the Republic Rafael Caldera swore in Army General Moises Orozco Graterol as new defense minister, replacing Gen. Rafael Angel Montero Revette. The new defense minister emphasized the unconditional support of the National Armed Forces'[FAN] for President Rafael Caldera's administration. The new minister pointed to encouraging unity within the FAN as one of the tasks to be undertaken during his term. He also vowed to continue all ongoing programs implemented by former Minister Gen. Rafael Montero Revette aimed at ensuring improvements in the military forces' standard of living and in its operational effectiveness.

[Begin Orozco recording, in progress] ...we are currently directing our efforts to the border region of the country since the situation in that area is of some concern. Basically, what we plan to do is implement what we have called Task Group 1-1 in the Apure region in Mura. I concur with what you said. We intend to prepare programs that will include establishing new settlements so that we can promote development along the border. [end recording]

On the other hand, Gen. Rafael Montero Revette is confident that he will be leaving a united military force, but one in need of a logical plan that includes internal reorganization. Such a plan will be announced soon by the president of the Republic.

Montero Revette also ruled out subsequent involvement in political activities.

[Begin Montero recording] I carried out my mission to the best of my abilities. We were not able to solve every problem; nevertheless, we now have a united FAN without any complications and with a social welfare plan. I am quite confident that the Military High Command and the new minister, who as Army commander has already worked with me, will continue and improve these development programs. [end recording]

The swearing in of the Military High Command will continue this afternoon at the Ministry of Defense, when Gen. Tulio Prado will be sworn in as FAN inspector general and Vice Admiral Oscar Morales Martinez as chief of the Joint General Staff.

[Paris AFP in Spanish at 1643 GMT on 4 January, in a 330-word report datelined Caracas, stipulates that following his swearing in, Gen. Orozco Graterol ruled out the likelihood of another military coup in Venezuela and indicated that "there is no climate for a third military coup."]

Border Committee Responds to Colombian Foreign Minister

PA0401200695 Caracas EL UNIVERSAL in Spanish 3 Jan 95 Section 1 p 10

[FBIS Translated Text] The Border Studies Committee yesterday sent a press release to the media rejecting recent statements by Colombian Foreign Minister Rodrigo Pardo regarding the delimitation of territorial waters.

The document, signed by Committee President Ramiro Perez Luciani, Pablo Ojer C., and Eugenio de Bellard Pietri, reads:

"In recent statements to the international news agencies AFP and REUTER, Colombian Foreign Minister Rodrigo Pardo insisted on the need to complete the territorial water delimitation process between Venezuela and Colombia.

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"The Border Studies Committee, in fulfilling its duty, reminds the foreign minister and the Colombian Government that no one anywhere in the world discusses territorial water boundaries before defining the precise spot where land boundaries meet the water's edge. All states follow this procedure in accordance with the teachings of international law experts at every single university around the world. That is also the opinion of the arbitration process which concluded in September 1988 in Geneva regarding the border dispute between Egypt and Israel. That case involves the border delimitation near Taba and the Gulf of Aqaba, which is similar to the situation at the Venezuelan and Colombian border, where the land border has not yet been drawn to the Gulf's lowest tidal point.

"Likewise, the Border Studies Committee cautions that we must not be trapped into defining maritime boundaries before land borders because Colombia is obliged to return territories it has appropriated in Guajira, Montes de Oca (including Cerrejon on the western side), and in Arauca (Charo Island).

"Colombia is also obliged to relocate the land markers it has deliberately moved into Venezuelan territory. Such is the case in Alto del Cedro, Guajira State, where the straight line between Meta and Arauca has been turned into a complicated broken line by repeated Colombian advances, as illustrated by the plans drafted in 1958 by the Mene Grande Oil company. That situation persists today, as shown by a 1988 report by Venezualan border expert Rene Gay Pola.

"The foreign minister and the Colombian Government must accept the universal premise which states that land boundaries come before maritime boundaries. In our case, the dividing line is, according to the 1891 ruling, that which begins at Mogote de los Frailes on the coastline of the Caribbean Sea, not the Gulf of Venezuela, whose waters and coastline are all ours."

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